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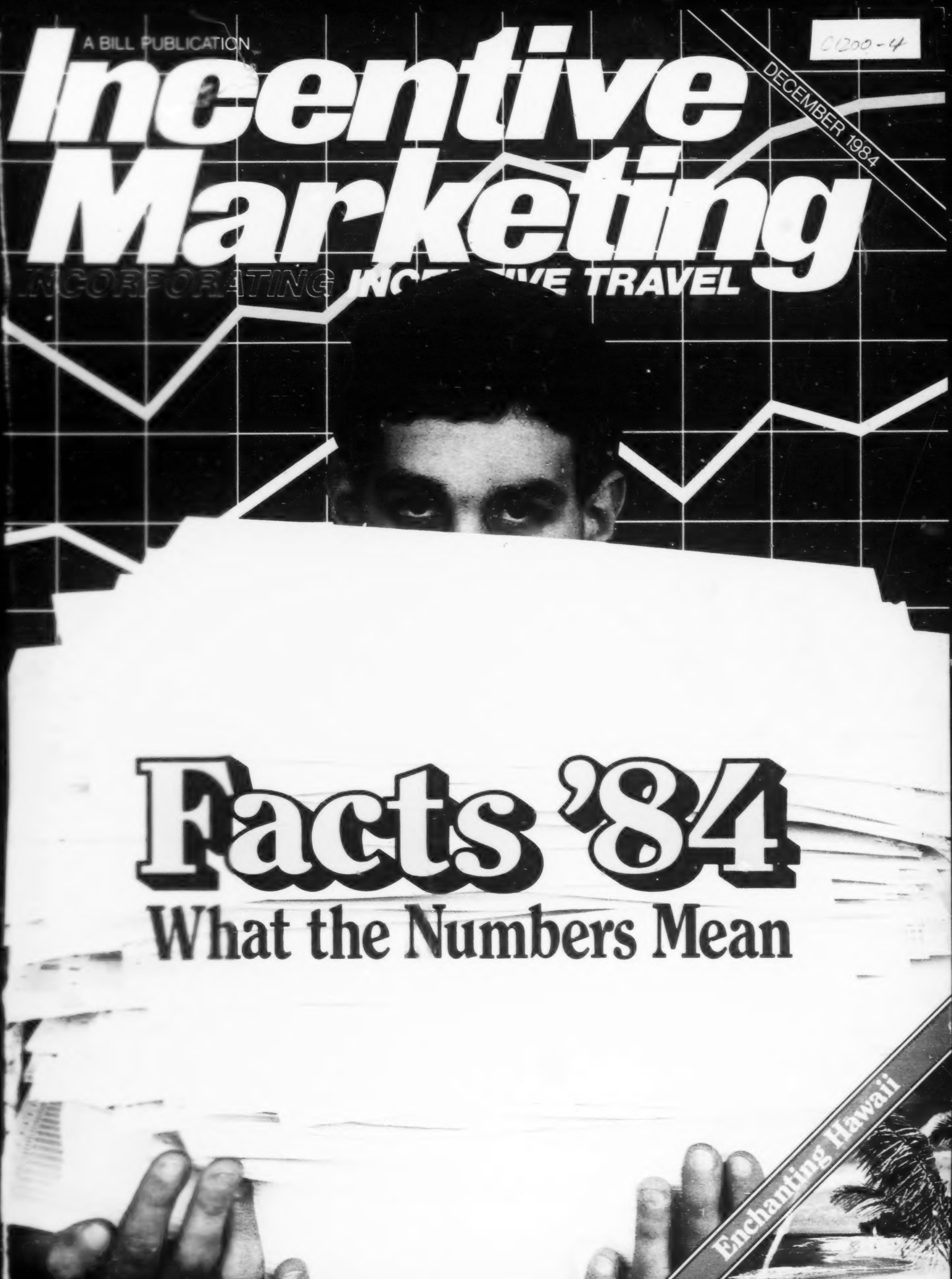
Incentive Marketing

INCORPORATING INC IVE TRAVEL

DECEMBER 1984



Facts '84

What the Numbers Mean

Enchanting Hawaii

INCENTIVE MA TING

AWARD SELECTION:
Cars are the Stars

December 1984

Hawaii's visitor attractions include the Polynesian Cultural Center in Oahu. See page 77 for more on this popular incentive travel destination.

Viewpoint	**10**
Show News	**32**
The Marketplace	**36**
Inside Promotions	**83**
Associations	**89**
Manufacturers	**91**
Service Companies	**92**
Rep Firms	**93**
Personnel	**94**
Calendar	**95**
Advertisers' Index	**96**
IM Action Card	**97**

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Leslie Jean-Bart

14 ***IN THE NEWS—***
Magazine circulation executives disagree on premium usage in subscription promotion campaigns . . . Braniff falls prey to frequent flyer program . . . Compact disc audio systems may become an important new incentive merchandise category in 1985.

43 **IM Facts Report:** ***AN OVERVIEW OF THE FIELD—***
The 1984 census of incentive usage finds a 13.3-percent increase in expenditures, as total volume for the field comes to $11.8 billion. The automotive industries led the resurgence, while financial institutions posted the smallest gains.

45 ***SALES INCENTIVES—***
A 19.9-percent expansion, the largest in the history of the survey, brings total outlays to $2.9 billion—a 25.2-percent share of total spending.

47 ***DEALER INCENTIVES—***
Sales increases resulting from dealer programs averaged 16.9 percent, and average costs dipped to 10 percent of incremental sales.

49 ***CONSUMER PREMIUMS—***
The 11.4-percent growth of this category represents the first significant real advancement since 1977.

51 ***INCENTIVE TRAVEL—***
Following a couple of rocky years, usage rebounds by 17.5 percent to $1.4 billion.

68 ***CONSUMER COURTSHIP—***
A report from Detroit on how cars are used as awards.

73 ***MARKET REPORT: U.K. NEWSPAPERS—***
Promotion follies continue in Great Britain as the Fleet Street newspaper barons battle for readers.

77 ***DESTINATION: HAWAII—***
With four destinations—Oahu, Big Island, Maui and Kauai—rolled into one, Hawaii provides varied options.

88 ***IMRA AWARDS—***
The manufacturers representatives' association honors eight promotions in the annual Gold Key competition.

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Facts '84

A sharp increase in usage of most incentive techniques has marked 1984 as the first year in many to show significant real growth.

Sales force incentives have led a spending acceleration of the entire field, as users have begun to believe in an economic recovery that many questioned last year.

Incentive Marketing's estimate of total expenditures this year comes to $11.8 billion—13.3 percent higher than American marketers' 1983 outlay. That is the biggest percentage growth since 1979, and the largest real expansion—considering the effects of inflation—since 1977.

During three of the intervening years, 1980, 1981 and 1982, the rate of inflation was greater than the rate of expansion in incentive use—meaning a real decline in promotional activity.

This year's comeback is a slightly less vigorous replay of the post-recession years of 1976 through 1978. In 1976, incentive use rose 18.7 percent against a 5.8-percent inflation rate; this year's 13.3-percent growth coincides with about 4.5 percent inflation.

The difference seems to relate to the slowdown in the growth of the economy in the last half of the year; many users' reports in the later months indicated somewhat smaller increases in their incentive spending plans. A bit of caution, accompanied by inventory cutting in some fields, has trimmed some promotion programs.

When the 1984 estimate is deflated, the real growth this year comes to about 8.2 percent. While not exactly a boom, this represents a good chunk of the expansion of the field during the last two decades. The first FACTS survey covered usage in 1967, the same year the Consumer Price Index, principal indicator of inflation, keys to 100. With the ups and downs of incentive promotion in various intervening years, the net real growth in that 17-year span is only about 18 percent.

As in many years of accelerating promotion activity, the initial thrust this year has been in motivating salespeople. Sales incentives in 1984 are chalk-

1984 has been the first year in many to show significant real growth in incentive usage, as estimated expenditures have climbed to $11.8 billion—a 13.3-percent increase over 1983.

ing up an estimated 19.9-percent increase over 1983.

Both merchandise and travel campaigns for salespeople are up substantially, with a slight edge for travel—up 21.3 percent, while merchandise usage has advanced 19.5 percent.

In dealer incentives—aimed at distributors, wholesalers and retailers—there was a smaller, but healthy, growth of 12.2 percent over 1983. Here again, travel ran a little ahead, increasing 13.8 percent while merchandise awards for dealers went up 11.4 percent.

Consumer premium promotion has gained this year, but somewhat less than the other types—11.4 percent. Retail incentives have grown about 11.6 percent.

Product promotion this year accounts for an estimated $3.3 billion in incentive spending, almost evenly divided between mail-in offers and direct premiums. At retail, the total has risen to $2.3 billion.

The mail-in types of consumer promotion—self-liquidators, free mail-ins and sweepstakes—attained a new high for this year of $1.7 billion, about 11.5 percent ahead of last year. The other types—direct premiums, factory-packs and coupon plans—used an estimated $1.65 billion worth of merchandise, up 11.2 percent.

In the retail arena, grocers accounted for more than half the total spending of $2.3 billion. Grocers also showed a larger expansion in their promotion—up by 15.3 percent to $1.2 billion.

THE INCENTIVE FIELD AT A GLANCE

(ALL FIGURES IN THOUSANDS—"000" OMITTED)

	1983 EXPENDITURES	% CHANGE	1984 EXPENDITURES	% CHANGE
SALES INCENTIVES	$2,489,169	7.7	$2,984,320	19.9
Merchandise	1,892,694	7.5	2,260,834	19.5
Travel	596,475	8.2	723,486	21.3
DEALER INCENTIVES	$1,823,227	7.4	$2,045,792	12.2
Merchandise	1,207,834	7.6	1,345,576	11.4
Travel	615,393	7.1	700,216	13.8
MERCHANDISE TOTAL	$3,100,528	7.5	$3,606,410	16.3
TRAVEL TOTAL	$1,211,868	7.6	$1,423,702	17.5
TRADE TOTAL	$4,312,396	7.6	$5,030,112	16.6
BUSINESS GIFTS	$1,034,000	8.0	$1,122,164	8.5
CONSUMER PREMIUMS				
Product Promotion:	$3,009,721	7.3	$3,352,402	11.4
• Mail-In Offers	1,524,432	6.8	1,700,310	11.5
• Direct Premiums	1,485,289	7.8	1,652,092	11.2
Retail Promotion:	$2,084,000	3.8	$2,326,000	11.6
• Trading Stamps	530,000	4.5	554,000	4.5
• Other Retail Premiums	1,554,000	3.5	1,772,000	14.0
CONSUMER TOTAL	$5,093,721	5.8	$5,678,402	11.5
TOTAL USAGE	**$10,440,117**	**6.8**	**$11,830,678**	**13.3**

Business gifts, the remaining incentive category, have increased in usage by 8.5 percent this year, to a total of $1.1 billion. In previous surveys, **IM** has listed business gifts separately, without including them in the tabulations of individual industries.

This year, for the first time, gift expenditures have been broken down by industry, and those figures are included in the industry tables on pages 53 through 65.

The automotive industries led with increases in expenditures exceeding 19 percent. Auto parts, tires and accessories boosted promotion by 19.4 percent to a new total of $582 million (not counting business gifts). Automobile and truck manufacturers advanced 19.3 percent to non-gift purchases of $310 million. Both groups upped their sales incentive investments by more than 21 percent, with dealer programs only slightly behind. The consumer premiums category was in the 13-percent growth range for both.

Other industries moving ahead faster than most were insurance, up 18.3 percent; machinery and supplies, 18 percent, and office equipment, 16.2 percent.

The slowest moving industry was banks and savings and loans, which had cut back by 29.1 percent in 1982 and by another 6.3 percent last year. The financial institutions, after heavy reliance on rate promotion, displayed a 7-percent resurgence this year. Building materials were more vigorous, up 8.4 percent, as the housing market rose slowly.

The other laggards in this year's incentive rebound are sporting goods and toys, up about 10.1 percent; and publishers, printers and broadcasters, up 10.9 percent.

The top 10 user industries control a greater concentration of incentive spending this year. These industries in 1983 spent about 44 percent of the total; this year their share is almost 49 percent. This reflects the fact that four of the five industries showing the largest percentage expansions are among the top 10 users.

The top half of the list of leaders has not changed this year, with the same five industries aligned in the same order as in 1982 and 1983. Below that level, there have been some shifts. Automobiles and trucks moved ahead of electronics, radio and television into sixth position. Last year's No. 8, petroleum products, slipped to 10th place, supplanted by building materials. Office equipment, the 11th-largest user a year ago, is now in ninth position and last year's No. 9, farm equipment, dropped out of the leaders.

Among the incentive techniques, the 19.9-percent increase in sales incentive use this year brought that segment of the field to a milestone, as it exceeded 25 percent of total usage for the first time.

Dealer incentives, with a slightly lower rate of increase, represent 17.3 percent of the year's expenditures, at $2 billion. Business gifts stand at about 9.5 percent, with $1.1 billion.

The remainder of the $11.8 billion spent this year belongs to consumer premiums—28.3 percent for product promotion ($3.3 billion) and the final 19.7 percent, or $2.3 billion, for retail promotions.

The **IM** FACTS report for 1982 called it "A Tough Year for Incentives," and 1983 was headlined, "A Cautious Year, as Buyers Wait for the Recovery." This year's evidence shows clearly that the caution and waiting are over.

The outlook for 1985 is still somewhat vague—both in terms of the economy in general and incentive usage. If the slowing economic growth of the latter months of 1984 continues—without stalling into another recession—the result is likely to be an intensified need for incentives to maintain and expand market positions. ■

Sales Incentives

Sales incentives posted the greatest spending gains, as a 19.9-percent expansion brought a 25.2-percent share of the field—with total volume of $2.9 billion.

Sales incentives, with a 19.9-percent growth this year, have moved to a 25.2-percent share of the incentive field, after hovering in the 23-percent range for years and reaching 23.8 percent last year. This year's big jump brings the **IM** sales incentive volume estimate to $2.9 billion.

Sales increases averaged over 20 percent, at a net cost of 9 percent of incremental sales for the average program.

The 19.9-percent estimated rise in sales incentive spending is the largest expansion in 18 years of FACTS surveys. The previous high was in 1977, with a 15.9-percent growth.

About 78 percent of the 1984 spending has been allocated for merchandise purchases, $2.2 billion worth, with the other 24 percent ($723 million) slated for travel. Travel outlays grew a little more than merchandise—21.3 percent versus 19.5 percent.

The user industries divided roughly into three camps—with 11 of the specifically tabulated groups expanding their sales incentives significantly faster (21 percent or more) than the average. Ten fell below a 19-percent growth rate, and the remaining 11 upped their spending by 19 percent to 20.9 percent, the middle range. Only the banks and savings and loans category failed to post double-digit spending increases, finishing with a 5.4-percent growth.

There were no notable changes in the top 10 industries. All ranked the same as in 1983, except that automobiles and trucks ran a little faster than electronics, radio and TV and slipped past that field to take over fourth place on the chart (see page 47).

Four of the biggest users also were among those with the fattest percentage increases in 1984 spending—insurance (up 21 percent), auto parts, tires and accessories (21.7 percent), automobiles and trucks (21.5 percent) and food products (25.1 percent, the largest growth reported). The two largest, unclassified categories—wholesalers and distributors and miscellaneous industries—also ranked high in growth rates, tallying 21.3 percent and 23.5 percent, respectively.

Increasing overall volume remains the leading sales incentive

TOTAL DOLLAR VOLUME OF INCENTIVE USAGE

(ALL FIGURES IN THOUSANDS-00 OMITTED)

1984	$11,830,678,000
1983	$10,440,117,000
1982	$ 9,779,217,000
1981	$ 9,361,510,000
1980	$ 8,664,251,000
1979	$ 7,696,138,000
1978	$ 6,719,687,000
1977	$ 5,841,575,000
1976	$ 5,026,535,000
1975	$ 4,236,305,000
1974	$ 4,829,964,000
1973	$ 5,023,184,000
1972	$ 4,649,653,000
1971	$ 4,222,505,000
1970	$ 3,793,000,000
1969	$ 3,772,000,000
1968	$ 3,598,000,000
1967	$ 3,218,000,000

*Source: **IM** surveys 1967-1984*

program objective, noted by 74 percent of respondents to the latest **IM** survey.

An average conceals many variations, and individual companies' reports vary considerably. In some cases, a 20-percent campaign growth would be impossible; in others, special circumstances could bring double that result. But the average from year to year is a realistic gauge of the field's overall performance. And this year's reading of 20.1 percent tells us that things are healthier than in several years.

The average portion of added sales required to do the job further improves the evaluation. American business invests 90 cents in merchandise or travel incentives for each $10 in new sales volume. Again, the averages mask a range of individual results. Although the average cost has dropped from 14 percent to 9 percent of incremental sales, the median cost for four years has remained at 7 percent. This means that a marketer who considers all elements in his program "normal" might hope to come out with a 7-percent cost. But the drop in the average also means that those who are not so fortunate and have higher costs are fewer and the excess costs are smaller.

Users this year have kept their unit award costs quite stable. The cost of an individual trip award, subject to hefty increases in recent years, rose only about 6 percent in 1984—from an average of $1,564 to $1,664. The median price of a travel prize in both years was $1,200. Merchandise buyers found ways to cut their average costs by about 6 percent, from 1983's $246 to $232 this year. The median also dropped, from $117 to $100.

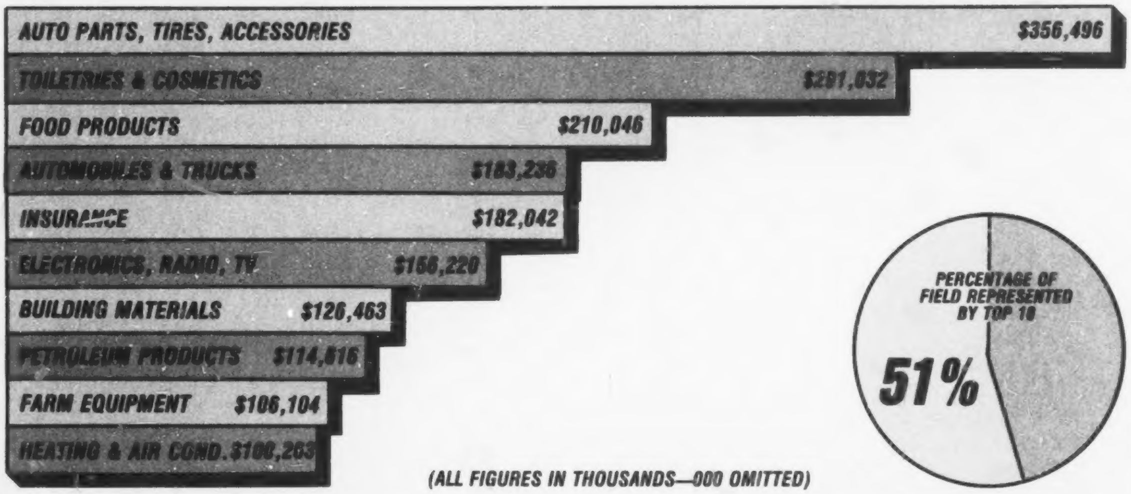
After measuring the sales that came in and the elements of cost that went out, there is a third measure of success that also showed notable improvement this year—the percentage of eligible salespeople earning awards.

The qualification rate has occasionally hit 50 percent or more in the past, although most years' surveys have shown averages in the upper 40's. The figure jumped to a high of 54 percent in the 1981 reports. But, by 1982, it had plummeted to only 39 percent of the average sales force earning awards. This year that average rebounded to 44 percent. This is still a bit below the optimum participation sought by many marketers, but it does show that for every seven salespeople who made their quotas during the past two years, better than eight were on target in 1984.

The high performance of sales incentives this year in the major criteria of sales results and percentage cost, along with an improved participation by eligible salespeople, is naturally good news to all users. But it has special meaning to a considerable minority who rely on it exclusively among the incentive techniques. Of this year's survey respondents, 35 percent offer no consumer or dealer incentives. With the exception of back-up in many cases by some business gifts to customers, sales incentives are their only motivational tool.

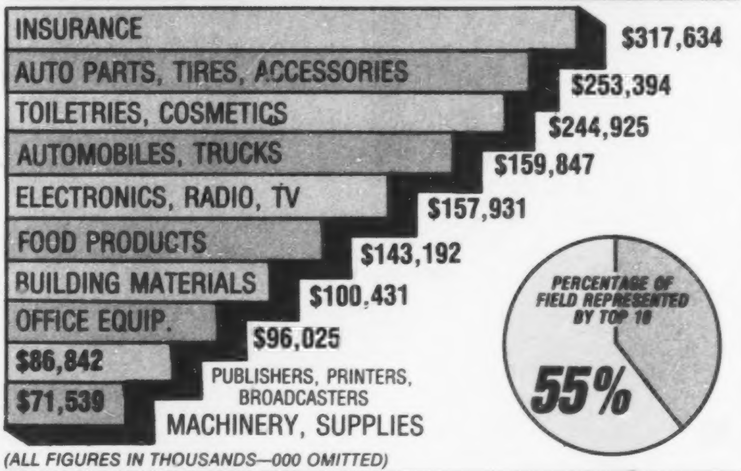
That sales incentives are again working so effectively—both for exclusive users and for those who use them to support other promotional efforts—is not only good news for the present, but a promise for the immediate future, when challenges to sales management may increase. ■

TOP 10 MERCHANDISE TRADE INCENTIVE USERS (1984)



(ALL FIGURES IN THOUSANDS—000 OMITTED)

TOP SALES INCENTIVE USERS (1984)



(ALL FIGURES IN THOUSANDS—000 OMITTED)

Dealer Incentives

Dealer incentives experienced a 12.2-percent upsurge, with spending surpassing $2 billion.

Dealer incentives experienced an upsurge marked by increased usage, improved sales performance and reduced cost ratios in 1984.

The primary motivational marketing tool of distribution management expanded in usage by 12.2 percent and wrote the best bottom-line record since 1979. This year's estimated total of dealer incentive purchases came to more than $2 billion. More than one-third of the total, or $700 million, was spent for travel programs, and the rest for merchandise awards. The travel portion of the budgets grew a little faster than merchandise—by 13.8 percent, versus 11.4 percent for merchandise.

The economic recovery brought the first real life to dealer incentives in several years. Recent annual increases in expenditures for this technique have lagged at rates of 5.4 percent, 3.3 percent and 7.4 percent—in each case below or close to the rate of inflation for the year, signifying no real movement.

The 1984 increase was less spectacular than the 19.9-percent jump in sales incentives, but ahead of the consumer premium growth of 11.5 percent. And, with the year's inflation level lower than it has been for some time, it represented plenty of real growth.

The star performers in dealer incentive use this year have been the automotive industries. Auto parts, tires and accessories, the largest user of dealer promotions, added 19.2 percent to its outlay for incentives in 1984. And automobile and truck manufacturers, the second largest user group, spent 17.2 percent more than they did in 1983.

The insurance industry ran third in increased activity, with a 13.7-percent gain.

Only two other fields exceeded the all-industry average of 12.2 percent—the fourth-largest user industry, electronics, radio and TV at 12.9 percent, and the No. 6 group, food products, up 12.3 percent.

Among others in the top 10, third-ranked farm equipment showed an expansion of 9.5 percent, and No. 5, heating & air conditioning, was up by 10.7 percent. The remaining four industries were toiletries and cosmetics (11.1 percent, petroleum products (10.6 percent), building materials (4 percent) and feed, fertilizer and farm supplies (10.4 percent).

The estimated expenditures for the year do not reflect how users divided their promotions among the various audience groups known overall as "dealers." But a special survey earlier this year (see **IM**, April 1984) did provide a breakdown of the responding marketers' targets. The biggest group, wholesalers and distributors, was favored by 49 percent of respondents. Service contractors attracted the attention of 29 percent, and 43 percent aimed their campaigns at retailers. An "other" category selected by 25 percent included a range of dealers difficult to classify, such as beauty salons, boat yards, insurance brokers, nurseries, lumber dealers and travel agents. In all, these executives target an average of about 1.5 dealer types, as indicated by the excess of the responses over 100 percent.

It is usually difficult to run an incentive program without having some positive effect on sales during the period. But in 1981 and 1982, many users experienced that frustrating result. An early-1983 **IM** survey found that 19 percent of respondents offering merchandise incentives had achieved no sales gains the previous year, and 31 percent of travel users had rung up zeros. In some cases, their best efforts had barely slowed a declining trend.

For the first time the survey report dropped those "losers" from the calculations; usually the few zero results are figured into the averages. With that help, the pro-

INCENTIVE USAGE BY INDUSTRY

(ALL FIGURES IN THOUSANDS-000 OMITTED)

INDUSTRY	TOTAL EXPENDITURES	% CHANGE FROM 1983*
FOOD PRODUCTS	$1,212,003	13.7
TOILETRIES & COSMETICS	$ 700,200	14.3
AUTO PARTS, TIRES, ACCESSORIES	$ 681,093	19.4
INSURANCE	$ 487,151	18.3
AUTOMOBILES & TRUCKS	$ 378,635	19.3
ELECTRONICS, RADIO, TV	$ 372,104	13.1
BUILDING MATERIALS	$ 231,551	8.4
OFFICE EQUIPMENT	$ 228,864	16.2
PETROLEUM PRODUCTS	$ 221,219	13.4
FARM EQUIPMENT	$ 218,466	11.2
PUBLISHERS, PRINTERS, BROADCASTERS	$ 217,292	10.9
HEATING & AIR CONDITIONING	$ 213,683	14.0
HOUSEWARES, HOME FURNISHINGS	$ 199,616	14.7
BANKS, SAVINGS & LOANS	$ 195,960	7.0
FEED, FERTILIZER, FARM SUPPLIES	$ 188,353	12.1
BEER, ALE, SOFT DRINKS	$ 178,355	14.4
DETERGENTS & CLEANSERS	$ 177,977	13.9
ELECTRIC APPLIANCES	$ 168,031	13.6
PHARMACEUTICALS	$ 141,638	14.3
MACHINERY & SUPPLIES	$ 113,437	18.0
ELECTRICAL & LIGHTING EQUIPMENT	$ 102,518	13.3
INDUSTRIAL CHEMICALS	$ 91,056	14.4
FURNITURE & FLOOR COVERINGS	$ 82,141	13.0
PAPER PRODUCTS & PACKAGING	$ 68,813	14.2
APPAREL	$ 53,980	14.3
PAINTS & VARNISHES	$ 50,053	14.1
SPORTING GOODS & TOYS	$ 43,564	10.1
HARDWARE	$ 31,550	14.4
LUGGAGE, JEWELRY, ACCESSORIES	$ 22,629	16.1
PUBLIC UTILITIES	$ 21,903	15.1
MISCELLANEOUS INDUSTRIES	$1,318,866	14.6
DISTRIBUTORS, WHOLESALERS	$1,081,977	14.6

*-Percentage change *excludes* business gifts, which are included in 1984 industry estimates but were not tabulated by industry for 1983.

Sales gains for dealer incentive users averaged 16.9 percent, and average costs dipped to 10 percent of additional sales.

grams which yielded positive results averaged an 11-percent sales growth in 1982. Last year was better, with a rise to a normally calculated average of 15.7 percent.

During 1984, however, another jump to a 16.9-percent average increase brought dealer incentives closer to a rewarding outcome.

The total cost of dealer incentive sales increments has held relatively steady for several years, compared with the wide fluctuations in results. But the cost has declined in the past two surveys. In 1983, it dropped from 12 percent to 11 percent, and this year declined another point. This is still higher than the 9 percent recorded this year by users of sales incentives, and the lowest rate in at least six years.

The increased rate of dealer participation in incentive programs this year is another indicator of improved results. In both merchandise offers and travel campaigns, the qualification rate has gone over the 50-percent mark for the first time in several years.

In 1983, a merchandise promotion involved, on the average, 49 percent of a user's eligible audience; this year, that figure has moved up to 55 percent. For travel, the change is more dramatic—from 41 percent to 56 percent.

The individual cost of incentive awards to dealers remained stable in the past two years, as measured by the median unit prices users paid, although the averages shifted a bit, up for travel, down for merchandise. The respective median cost figures for both 1983 and

1984 were $1,200 and $50.

The overall average cost of a trip, usually for two, rose from $1,690 to $1,890, while individual merchandise outlays averaged $125 this year, compared with $178 in 1983.

All the factors of costs and results appear to justify the growing user confidence demonstrated in this year's survey. While recent increases have been largely washed out by inflation, leaving a relatively stagnant picture in real growth, this year has broken out of that mold.

This year's final inflation rate will not be known for some months, but recent estimates suggest that 4.5 percent is a fair estimate for the year. If a deflator is applied to the added dealer incentive spending this year in accordance with that presumption, the real rate of growth in dealer promotional activity for the year will convert to 7.2 percent.

While that growth rate is not of explosive proportions, it signals a most healthy use of the technique, and the first such sign in many years—following a long period of flat or barely progressing usage. ■

Consumer Premiums

The 11.4-percent growth of consumer promotion represents the first notable real advancement of the category since 1977.

Consumer premium promotion has come back strongly this year after the recession break, though not so vigorously as trade incentives.

Many marketers, it seems, chose to channel their major resources into the trade area—especially sales incentives—and to let the stimulus trickle down to the consumer level.

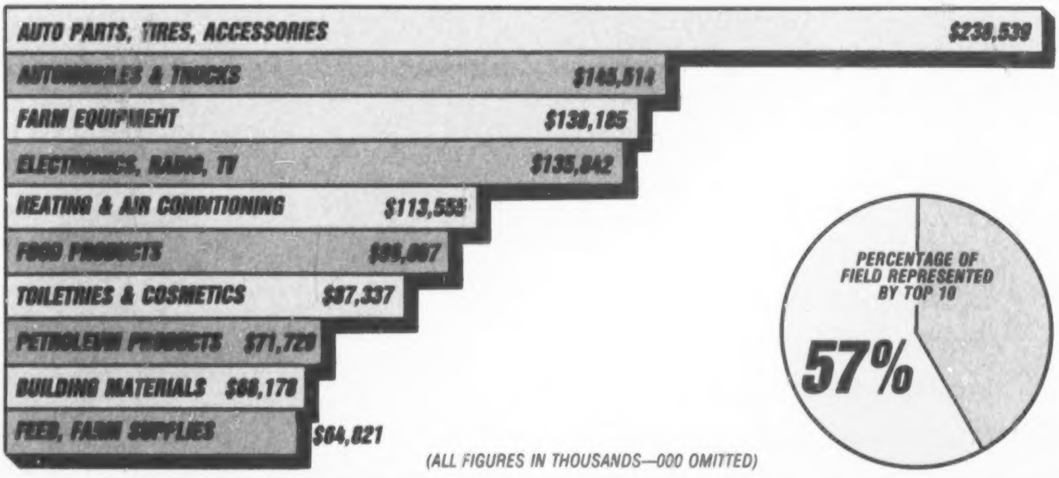
Nevertheless, consumer premiums enjoyed the best growth in quite a few years, with inflation taking only a small toll. The 11.4-percent growth compares very favorably to the 1982 and 1983 rates of 2.5 percent and 7.3 percent, respectively.

Although consumer promotion lagged behind the 19.9-percent increase in sales incentives, and was a little short of the 12.2-percent score for dealer programs, the overall result for all three areas was the first notable real growth—after inflation—since 1977.

The new total for the consumer techniques reached $3.3 billion in product promotion, with another $2.3 billion devoted to retail marketing efforts. The retail expansion was 11.6 percent, just a hair above that of manufacturers' and distributors' promotion.

The expansion in consumer product promotion techniques was almost evenly divided: 11.5 percent for the mail-in types (self-liquidators, free mail-ins and sweepstakes) and 11.2 percent for direct premiums (including factory-packs and coupon plans). And the division between the two groups remains almost even in dollar totals. The mail-ins have a slight edge, at $1.7 billion, compared with $1.65 billion for the other varieties.

TOP 10 DEALER INCENTIVE USERS (1984)



(ALL FIGURES IN THOUSANDS—000 OMITTED)

Many marketers chose to channel their major resources into the trade area and to let the stimulus trickle down to consumers.

Advertisers not only have spent more on individual promotions this year but also were running more of them, according to **IM's** special survey (see **IM,** May 1984). The median number of consumer promotions reported in 1983 was three, but this year it rose to four. The average was 4.6 mail-in offers and 5.6 direct premium promotions.

The retail portion of the field presents a divergent picture, with the only form specifically segregated in the tabulations—trading stamps—showing only a 4.5-percent advance, the same rate of growth as in 1983. All other retail promotion expanded by 14.5 percent.

While the "other retail" category included many promotion techniques practiced by many types of retailers, the largest single element for some years has been the supermarket continuity promotion. This category is not tracked separately in the **IM** surveys, but has been clarified this year by research from the Association of Retail Marketing Services (ARMS), which estimated that continuities accounted for $558 million in spending by grocery retailers, surpassing the total of trading stamp programs for the first time, although by a slim $4 million.

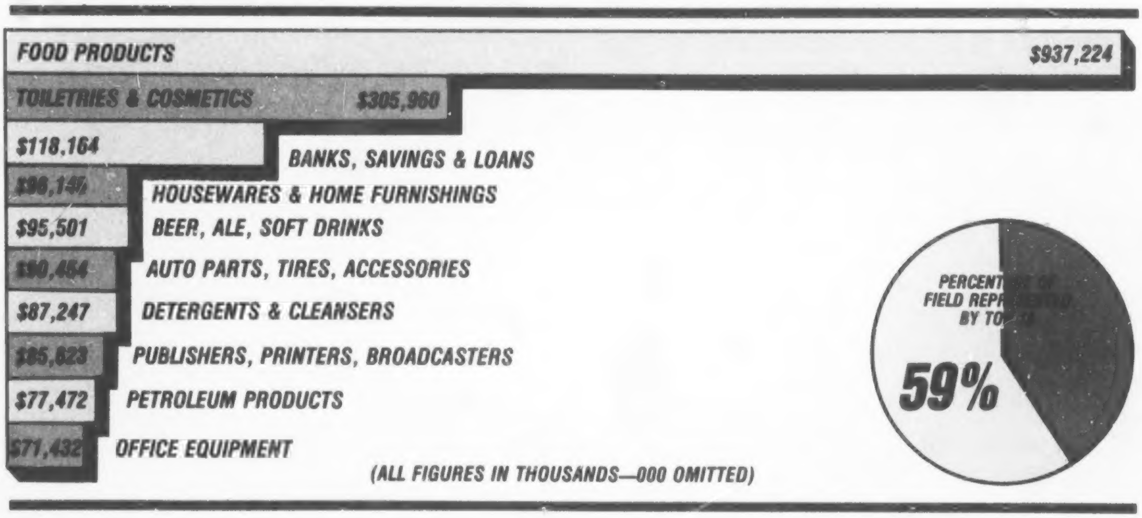
Between them, these two categories accounted for $1.1 billion in retailer expenditures, about 48 percent of the total. The remainder went to other supermarket promotions, such as tape-redemption plans, other short-term saver programs, sweepstakes and games—and a variety of premiums, especially direct offers and give-aways, by many different types of stores. (Banks and savings and loan associations, another important retail user reported separately in the survey, this year spent $118 million in consumer offers.)

If the supermarkets dominate retail promotional spending, their food manufacturer cousins are even more dominant in the area of product promotion premiums. Food products is the unchallenged leader among the industries again this year, with premium promotion to consumers totaling $937 million, or about 28 percent of the entire consumer field. The food firms upped their premium budgets by 12.3 percent in 1984.

The top 10 users of consumer premiums remain basically the same as in 1983, with the exception that housewares and home furnishings moved up to fourth place, displacing beer, ale and soft drinks by a small margin.

Most of these largest user industries did more than their share in increasing usage this year, with seven of the 10 exceeding the overall average growth. In addition to the food products group, others who showed major gains were: auto parts, tires and accessories (up 13.9 percent), housewares and home furnishings (13.0 percent), office equipment (13.1 percent), petroleum products (12.4 percent),

TOP 10 CONSUMER PREMIUM USERS (1984)



beer, ale and soft drinks (12.2 percent) and detergents and cleansers (11.6 percent).

The top 10 industries took a slightly larger bite out of the consumer premium pie this year than in 1983—up one point to 59 percent.

Almost all of the industries moved within a relatively narrow range this year. The maximum variation above or below the average of 11.4-percent growth was about 2.5 points, with the sole exception of financial institutions.

For most industries, the movement in the two major parts of the consumer field—mail-ins and direct premiums—was fairly uniform. Only four groups reported a variation of more than four percentage points in their expansion of the two types of promotion. Auto parts, tires and accessories added only 10.4 percent to the larger portion of its collective budget, mail-ins, but increased direct premium usage by 23.5 percent.

Insurance companies who use more mail-ins (largely informational literature) than direct premiums, cut back by 2.6 percent on the latter, while increasing mail-in offers 12.6 percent. Direct premium use here is mostly in door-openers to help agents obtain interviews with prospects, since the offer of a premium with the purchase of a policy is illegal in the industry. There is also a fairly large incidence of referral premiums, offered mainly by fraternal groups.

Automobile and truck manufacturers enlarged spending for direct offers by 16.2 percent, while expanding mails-ins only 10.6 percent. And the building materials industry, recently depressed in most types of incentive usage, added 12.7 percent to its direct premium outlays with the larger mail-in category advancing an estimated 6.8 percent.

Given the circumstances of this year's rebounding promotional expenditures, it is evident that meaningful results are occurring again with consumer premium promotions. ■

Incentive Travel

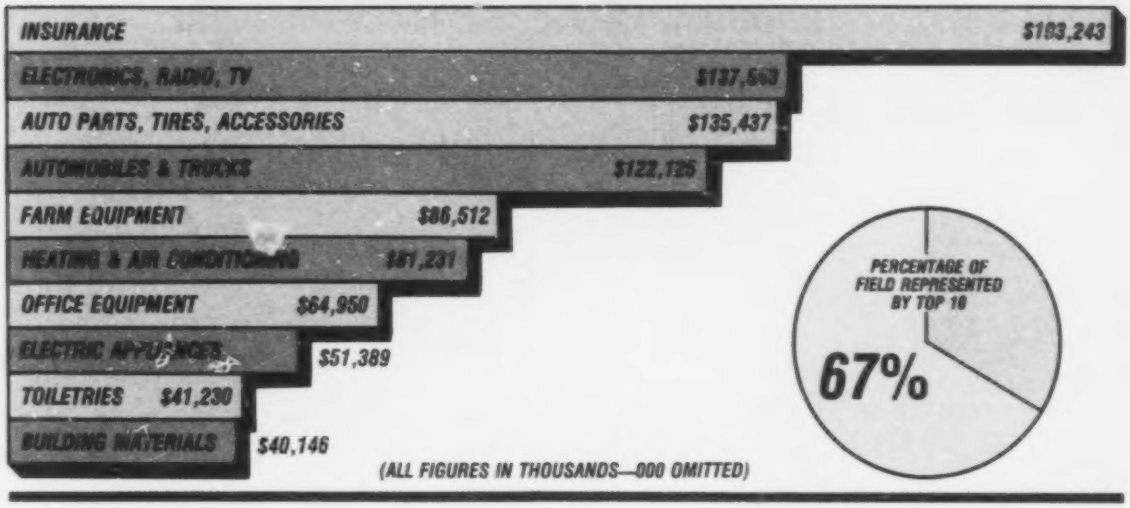
Incentive travel took the road to recovery in 1984, recording a 17.5-percent gain to an estimated volume of $1.4 billion.

The charmed life of incentive travel, darling of the field for a decade, suffered an ego-bruising setback in the past two years. For a while, travel simply did not work as it had. But with the economy back on a growth path in 1984, all that has changed.

This year, incentive travel usage has expanded by 17.5 percent, bringing expenditures to an estimated $1.4 billion. Travel now accounts for about 12 percent of the total incentive market and 28 percent of all trade incentive promotion.

The sales incentive segment of the travel field grew much more

TOP 10 INCENTIVE TRAVEL USERS (1984)



(ALL FIGURES IN THOUSANDS—000 OMITTED)

than dealer trips this year. Sales incentive travel rose by 21.3 percent over the 1983 pace, while dealer travel climbed about 13.8 percent. The result was that travel usage to motivate salespeople became the larger share of the field for the first time.

In 1973, 41 percent of incentive travel expenditures were aimed at sales forces. By 1983, that share had reached 49 percent. This year, sales incentive travel went to almost 51 percent, with expenditures estimated at $723.5 million compared with $700 million for dealer programs.

In 1982 and 1983, average results of those surveyed were 12-percent and 14-percent sales increases, respectively, during incentive travel campaigns. Against this fairly dismal background, 1984 brought a jump to 17.7 percent. This figure ranks between the 16.9 percent reported by users of all types of dealer incentive programs, and the 20.1 percent experienced in the total sales incentive field.

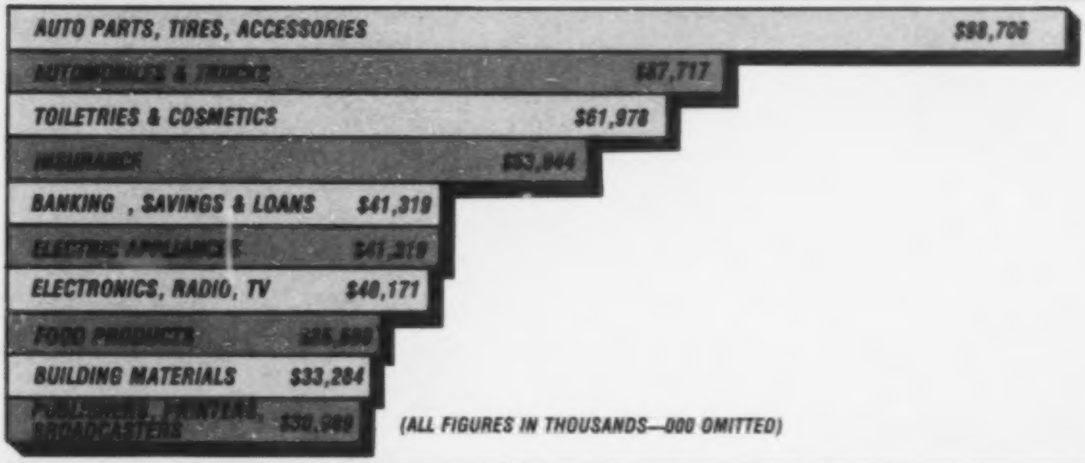
Among the user industries, the top 10 remain the same as last year, except for a minor shuffle at the bottom, where toiletries and cosmetics outspent building materials to force a swap of ninth and 10th positions on the list. Only five of the 10 qualified as big spenders in terms of their rate of increased promotion this year, however. Those who boosted their travel activity more than the overall average of 17.5 percent were the No. 1 insurance industry; auto parts, tires and accessories; automobiles and trucks; office equipment and toiletries and cosmetics. The rest lagged behind the overall pace by a few percentage points.

Here is the year's trend in travel expenditures for the specific industry groups tablulated for the survey:

Apparel	+21.5%
Auto Parts, Tires, Accessories	+23.4%
Automobiles & Trucks	+22.8%
Banks, Savings & Loans	+10.8%
Beer, Ale & Soft Drinks	+16.4%
Building Materials	+ 6.6%
Detergents & Cleansers	+15.6%
Electric Appliances	+14.3%
Electrical & Lighting Equipment	+17.0%
Electronics, Radio, TV	+16.4%
Farm Equipment	+12.5%
Feed, Fertilizer, Farm Supplies	+13.4%
Food Products	+22.7%
Furniture & Floor Coverings	+13.6%
Hardware	+19.1%
Heating & Air Conditioning	+15.1%
Housewares, Home Furnishings	+17.5%
Industrial Chemicals	+18.5%
Insurance	+19.6%
Luggage, Jewelry, Accessories	+15.1%
Machinery & Supplies	+18.9%
Office Equipment	+19.1%
Paints & Varnishes	+14.4%
Paper Products, Packaging	+18.2%
Petroleum Products	+15.1%
Pharmaceuticals	+15.3%
Public Utilities	+25.7%
Publishers, Printers, Broadcasters	+14.8%
Sporting Goods & Toys	+10.6%
Toiletries & Cosmetics	+19.1%
Miscellaneous Industries	+15.4%
Distributors, Wholesalers	+19.5%

The overriding goal of most trade incentive programs is to increase sales volume, although more specific objectives must be set in most cases to insure that the moti-

TOP 10 BUSINESS GIFT USERS (1984)



(ALL FIGURES IN THOUSANDS—000 OMITTED)

vational thrust is aimed to provide the best chance to achieve the increase.

Overall sales increase is the major objective reported by all sales and dealer incentive users, but to a slightly smaller degree. In other comparable objectives, users see sales incentives as a major force to introduce new products in 47 percent of cases, but only 31 percent of the travel users cite that target. Overall, dealer incentive users consider offsetting competition more significant an objective than do travel users. And 30 percent of sales incentive users apply their programs to control their product mix—to move a full line or slow items—which is an important consideration for 19 percent of travel promoters.

The users of travel promotion have some unique benefits not so important to those with merchandise campaigns. The principal one is boosting morale of the sales force and the dealer organization. In a 1983 survey, 33 percent of the travel users chose good will as a key objective in their programs. While the esprit and the recognition that go with any incentive plan are major advantages whether the award is merchandise or travel, the travel user perceives a greater plus in the rapport developed between management and the participants on a trip.

That benefit, of course, presumes group trips—and that is the way 72 percent of the users in our special survey this year plan their incentive programs; the other 28 percent give qualifiers individual trip awards. The groups average about 124 people now, but the median is 70. In 90 percent of cases, the travelers are couples.

With the improvement in results, the cost of incentive travel as a share of the extra volume has remained quite stable. This year's survey respondents' average report showed a 10.6 percent ratio, compared with 10.5 percent in 1983 and 11 percent the year before. For all three years, the median has been 7 percent of incremental sales.

Participants' qualifying for trips has advanced this year, although the result is still below some previous experience. The average percentage of winners is 31 percent, compared with only 24 percent in a 1983 survey. ■

INDUSTRY-BY-INDUSTRY ANALYSIS

Industry totals for 1984 include a figure for business gift expenditures; our 1983 results did not include this figure. Because addition of business gifts to 1984 industry totals provides an exaggerated indication of growth, industry year-to-year percentage changes are not provided. Percentage changes are shown for other incentive types.

	EXPENDITURES 1984		EXPENDITURES 1983	
MISCELLANEOUS INDUSTRIES	**$1,318,866,000**		**$991,907,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$286,414,000	+24.2%	$230,663,000	+ 9.1%
Travel	$ 75,020,000	+21.2%	$ 61,888,000	+ 8.8%
Dealer Merchandise	$190,026,000	+11.0%	$171,246,000	+ 9.0%
Travel	$ 84,201,000	+10.6%	$ 76,140,000	+ 8.1%
BUSINESS GIFTS	$182,491,000	—	—	—
CONSUMER PREMIUMS				
Mail-In Promotions	$238,511,000	+10.9%	$215,152,000	+ 8.7%
Other Premiums	$262,203,000	+10.7%	$236,818,000	+ 8.7%
DISTRIBUTORS & WHOLESALERS	**$1,081,877,000**		**$775,054,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$308,992,000	+21.0%	$255,192,000	+ 8.9%
Travel	$ 22,944,000	+24.5%	$ 18,347,000	+11.8%
Dealer Merchandise	$117,821,000	+11.9%	$105,259,000	+ 8.9%
Travel	$ 16,440,000	+13.1%	$ 14,538,000	+12.3%
BUSINESS GIFTS	$193,968,000	—	—	—
CONSUMER PREMIUMS				
Mail-In Promotions	$248,023,000	+10.3%	$224,882,000	+ 9.4%
Other Premiums	$173,889,000	+10.9%	$156,836,000	+ 9.9%

	EXPENDITURES 1984		EXPENDITURES 1983	
APPAREL	**$53,980,000**		**$39,186,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 11,031,000	+18.3%	$ 9,321,000	+ 6.3%
Travel	$ 2,921,000	+22.2%	$ 2,390,000	+ 9.3%
Dealer Merchandise	$ 7,380,000	+10.6%	$ 6,671,000	+ 7.8%
Travel	$ 145,000	+ 8.2%	$ 134,000	+10.7%
BUSINESS GIFTS	$ 9,182,000	—	—	—
CONSUMER PREMIUMS				
Mail-In Promotions	$ 10,315,000	+12.7%	$ 9,156,000	+ 5.7%
Other Premiums	$ 13,006,000	+13.0%	$ 11,514,000	+ 7.9%
AUTO PARTS, TIRES, ACCESSORIES	**$681,083,000**		**$487,737,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$176,280,000	+20.3%	$146,560,000	+ 8.2%
Travel	$ 77,114,000	+24.9%	$ 61,718,000	+10.6%
Dealer Merchandise	$180,216,000	+18.5%	$152,038,000	+10.3%
Travel	$ 58,323,000	+21.4%	$ 48,034,000	+ 9.4%
BUSINESS GIFTS	$ 98,706,000	—	—	—
CONSUMER PREMIUMS				
Mail-In Promotions	$ 64,028,000	+10.4%	$ 57,994,000	+ 9.8%
Other Premiums	$ 26,426,000	+23.5%	$ 21,393,000	+ 8.8%
AUTOMOBILES & TRUCKS	**$378,835,000**		**$260,822,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$135,026,000	+20.2%	$112,310,000	+ 7.5%
Travel	$ 24,821,000	+29.2%	$ 19,204,000	+ 7.4%
Dealer Merchandise	$ 48,210,000	+ 9.6%	$ 43,996,000	+ 9.8%
Travel	$ 97,304,000	+21.3%	$ 80,210,000	+ 7.9%
BUSINESS GIFTS	$ 67,717,000	—	—	—
CONSUMER PREMIUMS				
Mail-In Promotions	$ 2,755,000	+10.6%	$ 2,490,000	− 4.8%
Other Premiums	$ 2,802,000	+16.2%	$ 2,412,000	+ 0.5%
BANKS, SAVINGS & LOANS	**$195,960,000**		**$144,459,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 31,306,000	+ 5.0%	$ 29,815,000	+ 4.9%
Travel	$ 2,360,000	+11.3%	$ 2,120,000	+ 4.3%
Dealer Merchandise	$ 2,510,000	+ 9.5%	$ 2,293,000	+ 1.4%
Travel	$ 301,000	+ 7.1%	$ 281,000	+ 6.8%
BUSINESS GIFTS	$ 41,319,000	—	—	—
CONSUMER PREMIUMS				
Mail-In Promotions	$ 24,531,000	+ 7.4%	$ 22,840,000	− 8.3%
Other Premiums	$ 93,633,000	+ 7.5%	$ 87,110,000	− 9.5%
BEER, ALE, SOFT DRINKS	**$178,355,000**		**$148,027,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 40,211,000	+21.2%	$ 33,181,000	+ 6.3%
Travel	$ 10,210,000	+18.3%	$ 8,633,000	+ 7.8%
Dealer Merchandise	$ 19,103,000	+11.0%	$ 17,214,000	+ 7.6%
Travel	$ 4,372,000	+12.1%	$ 3,899,000	+ 2.8%
BUSINESS GIFTS	$ 8,958,000	—	—	—
CONSUMER PREMIUMS				
Mail-In Promotions	$ 56,121,000	+12.0%	$ 50,088,000	+ 8.2%
Other Premiums	$ 39,380,000	+12.5%	$ 35,012,000	+ 9.6%

	EXPENDITURES 1984		EXPENDITURES 1983	
BUILDING MATERIALS	**$231,551,000**		**$182,888,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 78,820,000	+12.3%	$ 70,213,000	+ 6.1%
Travel	$ 21,611,000	+ 8.0%	$ 20,009,000	+10.5%
Dealer Merchandise	$ 47,643,000	+ 3.7%	$ 45,952,000	+10.0%
Travel	$ 18,535,000	+ 4.9%	$ 17,667,000	+ 8.8%
BUSINESS GIFTS	$ 33,284,000	—	—	—
CONSUMER PREMIUMS				
Mail-In Promotions	$ 19,444,000	+ 6.8%	$ 18,214,000	+ 4.7%
Other Premiums	$ 12,214,000	+12.7%	$ 10,833,000	+ 8.0%
DETERGENTS & CLEANSERS	**$177,977,000**		**$150,178,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 56,805,000	+19.8%	$ 47,430,000	+ 8.4%
Travel	$ 2,542,000	+16.6%	$ 2,181,000	+ 7.2%
Dealer Merchandise	$ 24,040,000	+ 9.5%	$ 21,949,000	+ 7.4%
Travel	$ 457,000	+10.4%	$ 414,000	+ 8.7%
BUSINESS GIFTS	$ 6,886,000	—	—	—
CONSUMER PREMIUMS				
Mail-In Promotions	$ 56,126,000	+12.1%	$ 50,087,000	+ 8.5%
Other Premiums	$ 31,121,000	+10.7%	$ 28,116,000	+ 4.6%
ELECTRIC APPLIANCES	**$168,031,000**		**$111,563,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 23,823,000	+17.3%	$ 20,314,000	+ 5.8%
Travel	$ 10,508,000	+18.6%	$ 8,863,000	+ 7.5%
Dealer Merchandise	$ 23,527,000	+10.3%	$ 21,332,000	+ 6.5%
Travel	$ 40,881,000	+13.3%	$ 36,080,000	+ 4.2%
BUSINESS GIFTS	$ 41,319,000	—	—	—
CONSUMER PREMIUMS				
Mail-In Promotions	$ 15,903,000	+12.7%	$ 14,110,000	+ 7.8%
Other Premiums	$ 12,070,000	+11.1%	$ 10,864,000	+ 6.0%
ELECTRICAL & LIGHTING EQUIP.	**$102,518,000**		**$69,231,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 16,102,000	+16.5%	$ 13,817,000	+ 5.5%
Travel	$ 7,931,000	+23.4%	$ 6,427,000	+ 7.0%
Dealer Merchandise	$ 30,882,000	+10.7%	$ 27,906,000	+ 7.2%
Travel	$ 10,103,000	+12.3%	$ 8,993,000	+ 8.0%
BUSINESS GIFTS	$ 24,103,000	—	—	—
CONSUMER PREMIUMS				
Mail-In Promotions	$ 6,014,000	+ 9.7%	$ 5,484,000	+ 6.3%
Other Premiums	$ 7,383,000	+11.8%	$ 6,604,000	+ 5.9%
ELECTRONICS, RADIO, TV	**$372,104,000**		**$293,450,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$116,128,000	+11.6%	$104,096,000	+ 5.8%
Travel	$ 41,803,000	+19.0%	$ 35,121,000	+ 6.4%
Dealer Merchandise	$ 40,092,000	+ 7.5%	$ 37,279,000	+ 6.7%
Travel	$ 95,750,000	+15.3%	$ 83,033,000	+ 6.0%
BUSINESS GIFTS	$ 40,171,000	—	—	—
CONSUMER PREMIUMS				
Mail-In Promotions	$ 14,681,000	+13.0%	$ 12,997,000	+ 6.9%
Other Premiums	$ 23,479,000	+12.2%	$ 20,924,000	+ 5.9%

	EXPENDITURES 1984		EXPENDITURES 1983	
FARM EQUIPMENT	**$218,466,000**		**$183,080,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 28,021,000	+12.3%	$ 24,936,000	+ 0.2%
Travel	$ 26,410,000	+19.9%	$ 22,014,000	+ 1.4%
Dealer Merchandise	$ 78,083,000	+ 9.4%	$ 71,322,000	+ 0.6%
Travel	$ 60,102,000	+ 9.5%	$ 54,881,000	+ 2.4%
BUSINESS GIFTS	$ 14,921,000	—	—	—
CONSUMER PREMIUMS				
Mail-In Promotions	$ 5,208,000	+10.0%	$ 4,731,000	+ 1.9%
Other Premiums	$ 5,721,000	+10.1%	$ 5,196,000	+ 3.9%
FEED, FERTILIZER, SUPPLIES	**$188,353,000**		**$155,689,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 29,842,000	+15.1%	$ 25,910,000	+ 7.4%
Travel	$ 12,611,000	+19.5%	$ 10,550,000	+ 8.6%
Dealer Merchandise	$ 45,417,000	+10.7%	$ 41,015,000	+ 4.9%
Travel	$ 19,404,000	+ 9.7%	$ 17,683,000	+ 8.9%
BUSINESS GIFTS	$ 13,773,000	—	—	—
CONSUMER PREMIUMS				
Mail-In Promotions	$ 16,313,000	+12.1%	$ 14,552,000	+ 4.9%
Other Premiums	$ 50,993,000	+10.9%	$ 45,979,000	+ 6.2%
FOOD PRODUCTS	**$1,212,003,000**		**$1,034,386,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$121,322,000	+24.9%	$ 97,108,000	+10.0%
Travel	$ 21,870,000	+26.2%	$ 17,325,000	+ 8.0%
Dealer Merchandise	$ 88,724,000	+12.2%	$ 79,048,000	+ 7.5%
Travel	$ 7,283,000	+13.3%	$ 6,425,000	+ 8.5%
BUSINESS GIFTS	$ 35,580,000	—	—	—
CONSUMER PREMIUMS				
Mail-In Promotions	$521,116,000	+12.9%	$461,256,000	+ 7.3%
Other Premiums	$416,108,000	+11.4%	$373,224,000	+ 8.1%
FURNITURE & FLOOR COVERINGS	**$82,141,000**		**$66,830,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 13,342,000	+19.9%	$ 11,124,000	+ 4.8%
Travel	$ 3,903,000	+21.8%	$ 3,203,000	+ 5.5%
Dealer Merchandise	$ 31,112,000	+10.6%	$ 28,125,000	+ 4.6%
Travel	$ 16,329,000	+11.8%	$ 14,600,000	+ 8.4%
BUSINESS GIFTS	$ 6,631,000	—	—	—
CONSUMER PREMIUMS				
Mail-In Promotions	$ 6,544,000	+11.1%	$ 5,885,000	+ 4.0%
Other Premiums	$ 4,271,000	+ 9.7%	$ 3,893,000	+ 4.2%
HARDWARE	**$31,550,000**		**$25,575,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 8,108,000	+22.2%	$ 6,634,000	+ 6.2%
Travel	$ 2,112,000	+22.5%	$ 1,724,000	+ 2.1%
Dealer Merchandise	$ 8,609,000	+10.1%	$ 7,815,000	+ 5.5%
Travel	$ 755,000	+10.5%	$ 683,000	+ 4.8%
BUSINESS GIFTS	$ 2,295,000	—	—	—
CONSUMER PREMIUMS				
Mail-In Promotions	$ 5,282,000	+10.5%	$ 4,778,000	+ 5.9%
Other Premiums	$ 4,389,000	+11.3%	$ 3,941,000	+ 3.8%

	EXPENDITURES 1984		EXPENDITURES 1983	
HEATING & AIR CONDITIONING	***$213,691,000***		***$172,[illegible]74,000***	
TRADE INCENTIVES				
Sales Force Merchandise	$ 29,131,000	+21.0%	$ 24,062,000	+ 4.5%
Travel	$ 38,808,000	+21.4%	$ 31,964,000	+ 4.9%
Dealer Merchandise	$ 71,132,000	+10.7%	$ 64,254,000	+ 5.6%
Travel	$ 42,423,000	+ 9.8%	$ 38,631,000	+ 5.1%
BUSINESS GIFTS	$ 17,214,000	—	—	—
CONSUMER PREMIUMS				
Mail-In Promotions	$ 5,381,000	+11.6%	$ 4,819,000	+ 5.5%
Other Premiums	$ 9,602,000	+11.0%	$ 8,644,000	+ 5.9%
HOUSEWARES, HOME FURNISHINGS	***$199,616,000***		***$158,076,000***	
TRADE INCENTIVES				
Sales Force Merchandise	$ 46,821,000	+19.7%	$ 39,104,000	+ 3.4%
Travel	$ 8,602,000	+22.6%	$ 7,016,000	+ 3.4%
Dealer Merchandise	$ 23,501,000	+10.2%	$ 21,321,000	+ 3.4%
Travel	$ 6,183,000	+10.9%	$ 5,572,000	+ 3.4%
BUSINESS GIFTS	$ 18,364,000	—	—	—
CONSUMER PREMIUMS				
Mail-In Promotions	$ 5,744,000	+12.1%	$ 5,121,000	+ 4.1%
Other Premiums	$ 90,401,000	+13.0%	$ 79,942,000	+ 4.5%
INDUSTRIAL CHEMICALS	***$91,058,000***		***$64,533,000***	
TRADE INCENTIVES				
Sales Force Merchandise	$ 14,505,000	+19.0%	$ 12,181,000	+10.5%
Travel	$ 5,610,000	+24.2%	$ 4,515,000	+ 6.8%
Dealer Merchandise	$ 29,113,000	+11.7%	$ 26,060,000	+ 7.8%
Travel	$ 6,633,000	+14.0%	$ 5,815,000	+ 6.4%
BUSINESS GIFTS	$ 17,218,000	—	—	—
CONSUMER PREMIUMS				
Mail-In Promotions	$ 4,157,000	+15.3%	$ 3,603,000	+ 9.4%
Other Premiums	$ 13,822,000	+11.8%	$ 12,359,000	+ 5.3%
INSURANCE	***$497,151,000***		***$374,718,000***	
TRADE INCENTIVES				
Sales Force Merchandise	$171,224,000	+20.5%	$142,084,000	+ 6.7%
Travel	$146,140,000	+21.3%	$120,388,000	+ 9.2%
Dealer Merchandise	$ 10,818,000	+11.1%	$ 9,736,000	+10.4%
Travel	$ 47,103,000	+14.3%	$ 41,188,000	+ 7.8%
BUSINESS GIFTS	$ 53,944,000	—	—	—
CONSUMER PREMIUMS				
Mail-In Promotions	$ 60,712,000	+12.5%	$ 53,942,000	+ 9.9%
Other Premiums	$ 7,210,000	+ 9.7%	$ 7,380,000	+ 8.7%
LUGGAGE, JEWELRY, ACCESSORIES	***$22,629,000***		***$18,502,000***	
TRADE INCENTIVES				
Sales Force Merchandise	$ 7,302,000	+25.5%	$ 5,816,000	+ 6.1%
Travel	$ 2,341,000	+15.9%	$ 2,019,000	+ 6.7%
Dealer Merchandise	$ 4,142,000	+10.0%	$ 3,765,000	+ 4.9%
Travel	$ 562,000	+11.5%	$ 504,000	+ 9.3%
BUSINESS GIFTS	$ 1,148,000	—	—	—
CONSUMER PREMIUMS				
Mail-In Promotions	$ 4,791,000	+11.6%	$ 4,291,000	+ 7.4%
Other Premiums	$ 2,343,000	+11.2%	$ 2,107,000	+ 8.8%

	EXPENDITURES 1984		EXPENDITURES 1983	
MACHINERY & SUPPLIES	***$113,437,000***		***$79,906,000***	
TRADE INCENTIVES				
Sales Force Merchandise	$ 48,311,000	+20.0%	$ 40,259,000	+ 5.1%
Travel	$ 23,228,000	+21.5%	$ 19,111,000	+ 4.9%
Dealer Merchandise	$ 6,044,000	+11.1%	$ 5,427,000	+ 5.8%
Travel	$ 6,799,000	+10.7%	$ 6,138,000	+ 6.0%
BUSINESS GIFTS	$ 19,102,000	—	—	—
CONSUMER PREMIUMS				
Mail-In Promotions	$ 5,721,000	+10.8%	$ 5,163,000	+ 7.5%
Other Premiums	$ 4,222,000	+10.8%	$ 3,808,000	+ 3.5%
OFFICE EQUIPMENT	***$228,864,000***		***$175,169,000***	
TRADE INCENTIVES				
Sales Force Merchandise	$ 45,021,000	+20.1%	$ 37,483.000	+ 6.8%
Travel	$ 51,004,000	+21.5%	$ 41,968,000	+ 9.8%
Dealer Merchandise	$ 22,211,000	+10.9%	$ 20,015,000	+ 5.8%
Travel	$ 13,946,000	+10.9%	$ 12,567,000	+12.0%
BUSINESS GIFTS	$ 25,250,000	—	—	—
CONSUMER PREMIUMS				
Mail-In Promotions	$ 10,208,000	+13.2%	$ 9,014,000	+ 7.9%
Other Premiums	$ 61,224,000	+13.1%	$ 54,122,000	+ 6.9%
PAINTS & VARNISHES	***$50,053,000***		***$42,02[illegible],000***	
TRADE INCENTIVES				
Sales Force Merchandise	$ 12,121,000	+20.1%	$ 10,088,000	+10.0%
Travel	$ 3,812,000	+21.5%	$ 3,137,000	+ 7.4%
Dealer Merchandise	$ 8,333,000	+ 9.8%	$ 7,587,000	+ 7.9%
Travel	$ 8,216,000	+11.3%	$ 7,376,000	+ 8.8%
BUSINESS GIFTS	$ 2,083,000	—	—	—
CONSUMER PREMIUMS				
Mail-In Promotions	$ 10,804,000	+12.0%	$ 9,644,000	+ 7.9%
Other Premiums	$ 4,684,000	+11.7%	$ 4,192,000	+ 9.7%
PAPER PRODUCTS & PACKAGING	***$68,813,000***		***$51,202,000***	
TRADE INCENTIVES				
Sales Force Merchandise	$ 8,645,000	+22.8%	$ 7,039,000	+ 8.7%
Travel	$ 8,421,000	+20.8%	$ 6,968,000	+ 8.9%
Dealer Merchandise	$ 8,904,000	+10.7%	$ 8,039,000	+ 7.4%
Travel	$ 3,981,000	+12.9%	$ 3,525,000	+13.2%
BUSINESS GIFTS	$ 10,330,000	—	—	—
CONSUMER PREMIUMS				
Mail-In Promotions	$ 15,808,000	+11.1%	$ 14,216,000	+ 8.0%
Other Premiums	$ 12,724,000	+11.4%	$ 11,415,000	+ 7.3%
PETROLEUM PRODUCTS	***$221,219,000***		***$183,925,000***	
TRADE INCENTIVES				
Sales Force Merchandise	$ 51,112,000	+18.2%	$ 43,211,000	+ 6.3%
Travel	$ 8,281,000	+19.6%	$ 6,923,000	+ 7.4%
Dealer Merchandise	$ 63,504,000	+10.5%	$ 57,422,000	+ 7.5%
Travel	$ 8,225,000	+10.8%	$ 7,417,000	+ 8.8%
BUSINESS GIFTS	$ 12,625,000	—	—	—
CONSUMER PREMIUMS				
Mail-In Promotions	$ 30,801,000	+13.9%	$ 27,040,000	+ 5.2%
Other Premiums	$ 46,671,000	+11.3%	$ 41,912,000	+ 7.8%

	EXPENDITURES 1984		EXPENDITURES 1983	
PHARMACEUTICALS	***$141,638,000***		***$101,048,000***	
TRADE INCENTIVES				
Sales Force Merchandise	$ 42,762,000	+19.3%	$ 35,818,000	+ 7.2%
Travel	$ 11,120,000	+18.0%	$ 9,423,000	+ 7.8%
Dealer Merchandise	$ 17,455,000	+10.4%	$ 15,810,000	+ 8.0%
Travel	$ 6,555,000	+10.9%	$ 5,906,000	+ 7.8%
BUSINESS GIFTS	$ 26,111,000	—	—	—
CONSUMER PREMIUMS				
Mail-In Promotions	$ 17,021,000	+11.8%	$ 15,211,000	+ 9.1%
Other Premiums	$ 20,614,000	+ 9.1%	$ 18,880,000	+ 9.3%
PUBLIC UTILITIES	***$21,903,000***		***$17,128,000***	
TRADE INCENTIVES				
Sales Force Merchandise	$ 5,013,000	+19.8%	$ 4,182,000	+ 9.8%
Travel	$ 2,581,000	+27.5%	$ 2,024,000	+ 9.8%
Dealer Merchandise	$ 2,522,000	+ 8.8%	$ 2,316,000	+10.1%
Travel	$ 288,000	+11.1%	$ 259,000	+ 7.0%
BUSINESS GIFTS	$ 2,187,000	—	—	—
CONSUMER PREMIUMS				
Mail-In Promotions	$ 4,810,000	+11.8%	$ 4,302,000	+ 8.5%
Other Premiums	$ 4,502,000	+11.2%	$ 4,046,000	+ 8.7%
PUBLISHERS & BROADCASTERS	***$217,292,000***		***$167,863,000***	
TRADE INCENTIVES				
Sales Force Merchandise	$ 76,030,000	+11.7%	$ 68,040,000	+ 5.9%
Travel	$ 10,812,000	+18.0%	$ 9,161,000	+ 8.6%
Dealer Merchandise	$ 9,436,000	+ 6.7%	$ 8,842,000	+ 8.4%
Travel	$ 4,402,000	+ 7.6%	$ 4,088,000	+ 9.2%
BUSINESS GIFTS	$ 30,989,000	—	—	—
CONSUMER PREMIUMS				
Mail-In Promotions	$ 57,073,000	+ 9.7%	$ 52,008,000	+ 8.7%
Other Premiums	$ 28,550,000	+10.5%	$ 25,824,000	+ 7.9%
SPORTING GOODS & TOYS	***$43,564,000***		***$37,452,000***	
TRADE INCENTIVES				
Sales Force Merchandise	$ 7,252,000	+10.7%	$ 6,549,000	+ 6.1%
Travel	$ 5,221,000	+10.5%	$ 4,724,000	+ 6.5%
Dealer Merchandise	$ 8,036,000	+ 9.2%	$ 7,355,000	+ 8.0%
Travel	$ 3,899,000	+10.6%	$ 3,524,000	+ 9.0%
BUSINESS GIFTS	$ 2,317,000	—	—	—
CONSUMER PREMIUMS				
Mail-In Promotions	$ 8,237,000	+10.0%	$ 7,482,000	+ 7.1%
Other Premiums	$ 8,602,000	+10.0%	$ 7,818,000	+ 8.2%
TOILETRIES & COSMETICS	***$700,200,000***		***$558,235,000***	
TRADE INCENTIVES				
Sales Force Merchandise	$214,011,000	+20.1%	$178,154,000	+ 8.4%
Travel	$ 30,914,000	+21.6%	$ 25,417,000	+ 9.9%
Dealer Merchandise	$ 77,021,000	+10.9%	$ 69,425,000	+ 8.9%
Travel	$ 10,316,000	+12.2%	$ 9,188,000	+ 9.3%
BUSINESS GIFTS	$ 61,978,000	—	—	—
CONSUMER PREMIUMS				
Mail-In Promotions	$148,127,000	+10.6%	$133,880,000	+ 8.9%
Other Premiums	$157,833,000	+11.0%	$142,171,000	+ 9.2%

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

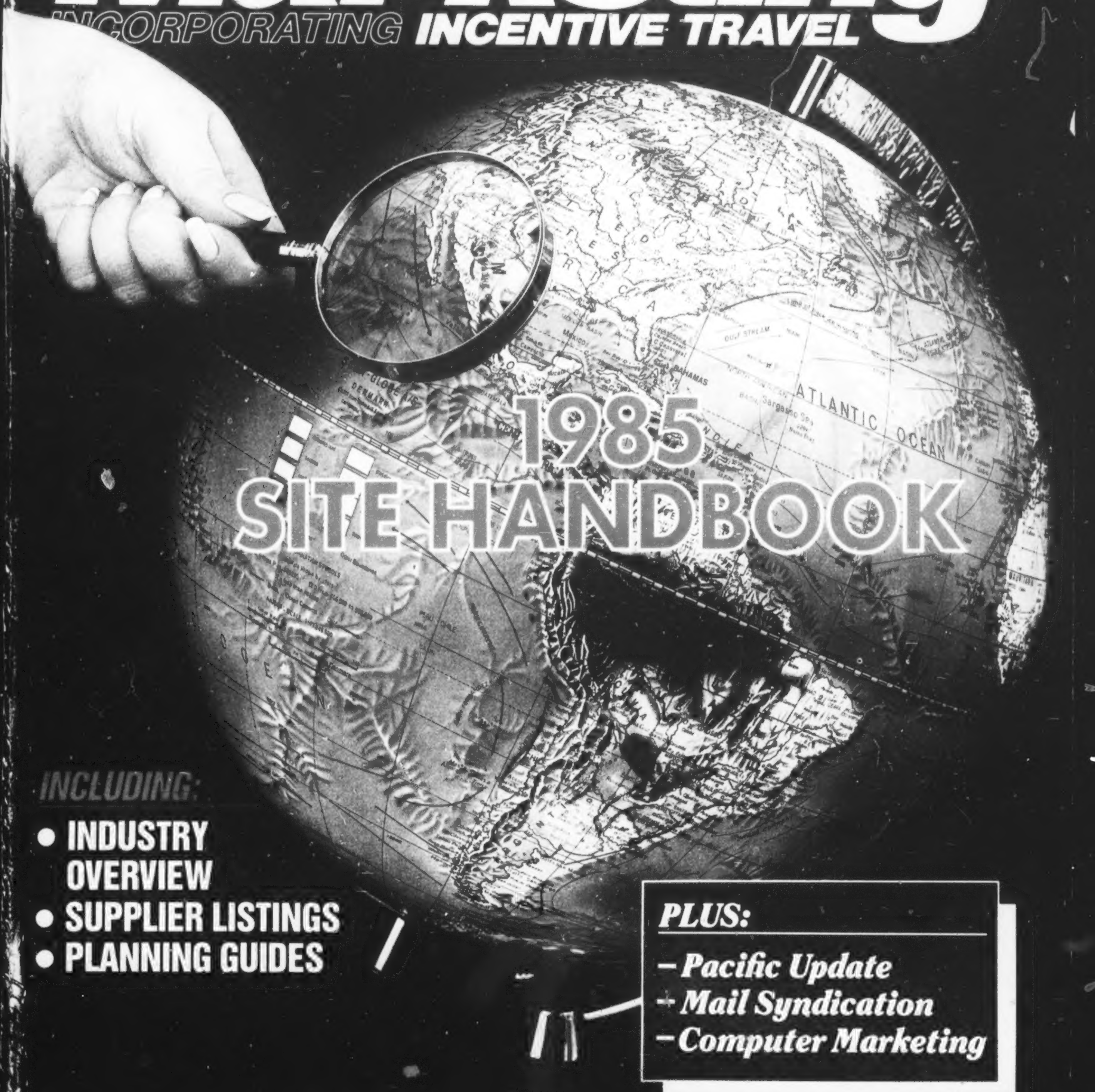
Cov. 1, p. 5, 36, 45, 47-48.

A BILL PUBLICATION

Incentive Marketing

INCORPORATING INCENTIVE TRAVEL

JANUARY 1985


BAHAMAS
GULF STREAM
Sargasso Sea
ATLANTIC OCEAN

1985 SITE HANDBOOK

INCLUDING:

- INDUSTRY OVERVIEW
- SUPPLIER LISTINGS
- PLANNING GUIDES

PLUS:

–Pacific Update
–Mail Syndication
–Computer Marketing

INCENTIVE MARKETING

MARKET REPORT
Computers

January 1985

Japan is just one of the many countries featured in the annual update of incentive travel destinations in the Pacific region. See page 21 for details.

Viewpoint	8
In The News	10
Associations	28
Transportation	28
Hotels	29
Personnel	29
Calendar	30
Advertisers' Index	156
IM Action Card	157

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10 ***IN THE NEWS—***
Sanger-Harris stores join forces with Coca-Cola for holiday promotion . . . Digital television sets may soon make an impact on the incentive market . . . The Statue of Liberty's October 1986 centennial should provide plenty of special event tie-in options for planners . . . Incentive groups can be used to fulfill countertrade agreements . . . S&H gets relief from FTC order.

14 ***WHEN THE GOING GETS TOUGH—***
Computer equipment marketers recently have turned to incentives to combat shakeout.

18 ***DIRECT MAIL SYNDICATION—***
Credit card issuers offer premium merchandise through the mail to pass along value to consumers and to cover mailing costs.

21 ***THE ROMANCE OF THE PACIFIC—***
IM profiles the leading destinations of the Pacific region.

31 ***1985 SITE HANDBOOK—***
- How to use the guide.
- Service companies.
- Airlines.
- Cruise lines.
- Hotel companies.
- Representatives/consultants.
- Associations/show management.
- Incentive travel overview.
- Site selection.
- Worldwide hotel, ground operator, tourist board and visitor attraction listings.
- How trips go wrong.
- Hotel negotiations.
- Enrich your travel.
- Selling in, selling through.
- Tax considerations.

Bill publications and divisions: Automotive Chain Store, Incentive Marketing, Industrial Chemical News, Institutional Distribution, Jobber Retailer, Modern Tire Dealer, Plastics Technology, Restaurant Business, Restaurant & Hotel Design, Sales & Marketing Management, Successful Meetings, Foodservice Research Center, Market Statistics, Sales Builders, SM Data Bank.

group size: 600. Offer incent. merch. prgms. Years in business: 12.

ELITE TRAVEL CONCEPTS — 690 Market St., Ste. 920 San Francisco, California 94104, (415) 391-5165. *Contact:* Josephine Bailey Cooke, Acct. Exec. Optimum group size: 750. Years in business: 12.

EXECUTIVE INCENTIVE TRAVEL — 1727 Greeley Mall, Greeley, Colorado 80631, (303) 356-2464. *Contact:* Ron Thomas, Pres. Optimum group size: 500. Years in business: 8.

EXECUTIVE INCENTIVES & TRAVEL INC. — 632 S. Military Trail, Deerfield Beach, Florida 33441, (305) 426-9707, (800) 821-8444. *Contact:* Sue Ellen Allen, Dir. of Mktg. *Regions specializing in:* United States, Latin America, Europe. Optimum group size: 1000. Offer incent. merch. prgms. Years in business: 4.

FIND-US TRAVEL INC. — 11418A Kingston Pike, Knoxville, Tennessee 37922, (615) 966-4900. *Contact:* Mary Allan Mill, Exec. V.P. Mgr. *Regions specializing in:* United States, Caribbean, Europe. Optimum group size: 60. Offer incent. merch. prgms. Years in business: 3.

GTU INC. — 720 N. St. Asaph St., Alexandria, Virginia 22314, (703) 836-4888. *Contact:* John Broughan, Pres. *Regions specializing in:* United States, Europe, Asia, South Pacific. Offer incent. merch. prgms. Years in business: 25.

GELCO TRAVEL SERVICES — 1112 E. Copeland Rd., Ste. 200, Arlington, Texas 76011, (817) 461-9551, (800) 835-8980. *Contact:* Brenda McEachern, Supv., Grp. & Inc. Travel. *Regions specializing in:* United States, Mexico, Caribbean, Europe. Optimum group size: 500. Years in business: 3.

THE GETSCHAL COMPANY INC. — 123 Mason St., Greenwich, Connecticut 06830, (203) 629-2900. *Contact:* Budd Getschal, Pres. *Regions specializing in:* Europe, Caribbean, Mexico, United States, Asia. Optimum group size: 5000. Offer incent. merch. prgms. Years in business: 22.

GRAMERCY TRAVEL SYSTEM INC. — 444 Madison Ave., New York, New York 10022, (212) 753-7595, (800) 223-6490. *Contact:* Rita Lowenstein, V.P. Sales. Optimum group size: 1000. Offer incent. merch. prgms. Years in business: 15.

GROUP TRAVEL CONCEPTS — 1633 Broadway, New York, New York 10019, (212) 977-8666. *Contact:* Robert F. Smith, Pres. Optimum group size: 180. Years in business: 23.

GROUP TRAVEL COORDINATORS — 716 Gordon Baker Rd., Ste. 200, Willowdale, Ontario M2H 3B4, (416) 494-4695. *Contact:* Don Brommet, V.P. *Regions specializing in:* United States, Mexico, Caribbean, Europe, Asia. Optimum group size: 500. Offer incent. merch. prgms. Years in business: 8.

GROUP TRAVEL INTERNATIONAL — 62 Rte. 10, E. Hanover, New Jersey 07936, (201) 884-9000. *Contact:* Steven E. Some, V.P. of Sales. *Regions specializing in:* Europe, Asia, Latin America, Mexico, Caribbean. Optimum group size: 2100. Years in business: 25.

HERITAGE MEETINGS & INCENTIVES — 238 Main St., Cambridge, Massachusetts 02142, (617) 491-0050. *Contact:* Elizabeth P. Phinney, Dir. of Mtg. & Inc. Planning. Years in business: 3.

HERTZ CORPORATION—700 N. Fairfax St., Ste. 410, Alexandria, VA 22314, (703) 683-5333, (800) 336-2496. *Contact:* Barbara R. Klein, Natl. Sales Mgr., Conv. & Mtgs. Car Rentals.

HOTEL & RESORT CONSULTANTS — 1958 Main St., Sarasota, Florida 33577, (813) 366-7911, (800) 237-1219. *Contact:* Patricia H. Janssens, Sr. Account Exec. *Regions specializing in:* United States, Caribbean, Europe, Asia. Optimum group size: 3000. Offer incent. merch. prgms. Years in business: 7.

I.D. TOURS SOUTH PACIFIC — 8421 Wilshire Blvd., Ste. 206, Los Angeles, California 90211, (213) 655-2144. *Contact:* Barbara Blackwell, Mgr. North America. *Regions specializing in:* South Pacific. Optimum group size: 2000.

ITA INC. — 1601 22nd St., West Des Moines, Iowa 50265, (515) 225-3500, (800) 247-4130. *Contact:* Pete Nottingham, V.P. Sales. *Regions specializing in:* United States, Europe. Optimum group size: 5000. Offer incent. merch. prgms. Years in business: 20.

INCENCO INTERNATIONAL — 1806 Jaybee Rd., Wilmington, Delaware 19803, (302) 478-8400. *Contact:* Jyotsna Patel, Owner. Optimum group size: 300.

INCENTIVE & GROUP TRAVEL INC. — 1100 Louisiana St., Ste. 2690, Houston, Texas 77098, (713) 655-0118. *Contact:* Mary Woodson, Pres. Optimum group size: 100. Offer incent. merch. prgms. Years in business: 2.

INCENTIVE JOURNEY CONSULTANTS — 19111 W. Ten Mile Rd., Ste. A3, Southfield, Michigan 48075, (313) 352-5510. *Contact:* Bob Brickner, Exec. Dir. *Regions specializing in:* Canada, Mexico, Caribbean. Optimum group size: 300. Offer incent. merch. prgms. Years in business: 6.

INCENTIVE & MEETING CONSULTANTS — Lawrence Shopping Ctr., Lawrenceville, New Jersey 08648, (609) 883-5905, (800) 257-9511. *Contact:* Elinor M. Maurer, V.P. Sales. *Regions specializing in:* Caribbean. Optimum group size: 200. Offer incent. merch. prgms. Years in business: 5.

INCENTIVE MEETING DESIGNERS — 21755 Contado Rd., Boca Raton, Florida 33433, (305) 392-7674. *Contact:* Milton Adler, Pres. Years in business: 2.

INCENTIVE TRAVEL CORP. — 213 W. Institute Pl., Chicago, Illinois 60610, (312) 649-0073. *Contact:* James Feldman, Pres. *Regions specializing in:* Mexico, Caribbean, Europe. Optimum group size: 250. Offer incent. merch. prgms. Years in business: 7.

INCENTIVE WORLD — 17802 Irvine Blvd., Ste. 101, Tustin, California 92680, (714) 832-4322. *Contact:* Gayle S. Beehler, V.P. Offer incent. merch. prgms. Years in business: 7.

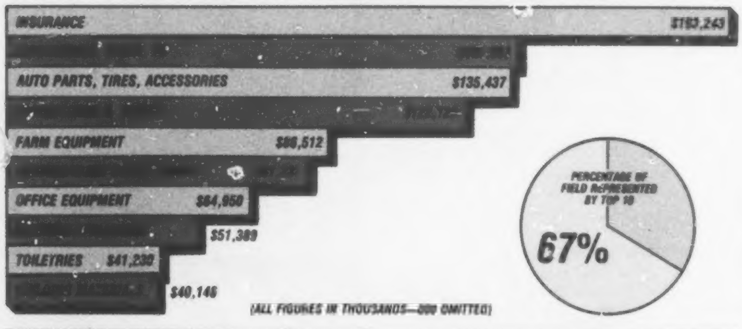
INTERNATIONAL MEETING PLANNERS — 250 Mercer St., New York, New York 10012, (212) 477-4122. *Contact:* Audrey Bird, Pres. Optimum group size: 300. Years in business: 6.

INTERNATIONAL MEETINGS & INCENTIVES INC. — 133 E. 58th St., New York, New York 10022, (212) 223-1610, (800) 223-2551. *Contact:* Brian Pollack, Pres. *Regions specializing in:* Latin America, Europe, United States. Years in business: 4.

IN-TRA-PROMO INC. — 22 W. 23rd St., New York, New York 10010, (212) 807-0760. *Contact:* Frederic Alcalay, Pres. Optimum group size: 280. Years in business: 8.

JNR INCORPORATED — 4040 MacArthur Blvd., Ste. 300, Newport Beach, California 92660, (714) 476-2788, (800) 343-4546. *Contact:* James G. Jalet III, Pres. *Regions specializing in:* United States, Europe, Asia. Optimum group size: 5000. Offer incent. merch. prgms. Years in business: 5.

TOP 10 INCENTIVE TRAVEL USERS (1984)



(ALL FIGURES IN THOUSANDS—000 OMITTED)

NORWEGIAN FJORD & MOUNTAIN HOTELS Mesna Senter, Lilletorget, I, Lillehammer, Norway 2600, 062-57266. *Contact:* Wolfgang Muller, Managing Dir. Incentive promo material. Rate guarantee in months: 6.

OMNI/DUNFEY HOTELS — 122 E. 42d St., New York, New York 10168, (212) 557-1090. *Contact:* John Kavanagh, Dir. of Sales.

OUTRIGGER HOTELS HAWAII — 2335 Kalakaua Ave., Honolulu, Hawaii 96815, (808) 923-0711, (800) 367-5170. *Contact:* Cecilia Piper, Inc. & Corp. Sales Mgr. Rate guarantee in months: 12.

THE PENINSULA GROUP — 33 N. Michigan Ave., Chicago, Illinois 60601, (312) 263-6069. *Contact:* Gloria Flowers, Reg. Sales Mgr.

PENTA HOTELS INC. — 516 Fifth Ave., New York, New York 10036, (212) 382-2960, (800) 225-3456. *Contact:* Pierre Meslin, Sales Mgr. Incentive promo material. Rate guarantee in months: 6.

THE POINTE RESORTS - 7677 N. 16th St., Phoenix, AZ 85020, (602) 997-7777, (800) 528-0428. *Contact:* Bob Brooks, V.P. Mktg.

POSADAS DE MEXICO — 4099 McEwen, Ste. 800, Dallas, Texas 75234, (214) 386-9801. *Contact:* Judy Schmidt, Adv. Mgr. Incentive promo material. Rate guarantee in months: 3.

PRINCESS HOTELS INTERNATIONAL — 805 Third Ave., New York, New York 10022, (212) 715-7000, (800) 223-1818. *Contact:* Scott Zimmerman, Dir. of Inc. Sales. Incentive promo material. Rate guarantee in months: 6.

RANK HOTELS SALES LTD. — 444 Madison Ave., New York, New York 10022, (212) 421-2353, (800) 223-5560. *Contact:* Aldo Marsili, Natl. Sales Mgr. Incentive promo material. Rate guarantee in months: 24.

REGENT INTERNATIONAL HOTELS — 181 E. Lake Shore Dr., Chicago, Illinois 60611, (312) 787-8500. *Contact:* Rosann Valentini, Dir. of Inc. Sales. Incentive promo material. Rate guarantee in months: 18 to 24.

ROBERT REID ASSOCIATES, HOTELS OF DISTINCTION — 845 Third Ave., New York, New York 10022, (212) 832-2277, (800) 223-6100. *Contact:* Ralph J. Sansaricq, Grp. Sales Mgr.

RESORTS INTERNATIONAL — 915 N.E. 125th St., N. Miami, Florida 33181, (305) 891-2909. *Contact:* Brian Cassidy, Natl. Sales Mgr.

THE RITZ-CARLTON HOTEL CO. — 3414 Peachtree Rd. N.E., Atlanta, Georgia 30326, (404) 237-5500, (800) 241-3333. *Contact:* Ian Lloyd-Jones, V.P. Sales.

ROCKRESORTS INC. — 30 Rockefeller Plaza, Rm. 5400, New York, New York 10112, (212) 765-5950. *Contact:* Michael Neary, Dir. of Sales. Incentive promo material. Rate guarantee in months: 12.

SAS INTERNATIONAL HOTELS—Dicks Vei 2, Oslo, Lysaker, Norway N-1324, *Contact:* Victor Rydgren, Dir. of Sales. Incentive promo material.

SAS INTERNATIONAL HOTELS U.S. OFFICE 138-02 Queens Blvd., Jamaica, New York 11435, (718) 657-7700. *Contact:* John Harrison, Spec. Mkt. Mgr.

SANDPIPER RESORTS — 5608 Gulf Blvd., St. Petersburg Beach, Florida 33706, (813) 360-2731, (800) 237-0707. *Contact:* Patsy Gregory, Dir. of Sales/Corp. Devel. Rate guarantee in months: 12.

SHANGRI-LA INTERNATIONAL HOTELS — 1801 Ave. of the Stars, Ste. 404, Los Angeles, California 90067, (213) 551-1121, (800) 457-5050. *Contact:* Jean Rosano, Dir. of Mktg., N. America. Incentive promo material. Rate guarantee in months: 18.

THE SHERATON CORP. — 35 E. Wacker Dr., Ste. 1138, Chicago, Illinois 60601, (312) 263-4607. *Contact:* Ginger O'Malley, Dir. of Inc. Sales.

THE SHERATON CORP. INTL. SALES OFFICE 5501 LBJ Freeway, Dallas, Texas 75050, (214) 980-4934. *Contact:* Juli Lowry, Intl. Dir. of Sales. Incentive promo material. Rate guarantee in months: 12.

SHERATON CORP.-LATIN AMERICA — 701 S.W. 27th Ave., Miami, Florida 33135, (305) 642-9971.

SHERATON CORP. REGIONAL SALES OFFICE (c/o Hotel Maria Isabel Sheraton) — Paseo de la Reforma #325, Mexico D.F., 06500, 905/211 00 01., (800) 325-3535. *Contact:* Karin Goyer, Reg. Dir. of Sales. Incentive promo material. Rate guarantee in months: 24.

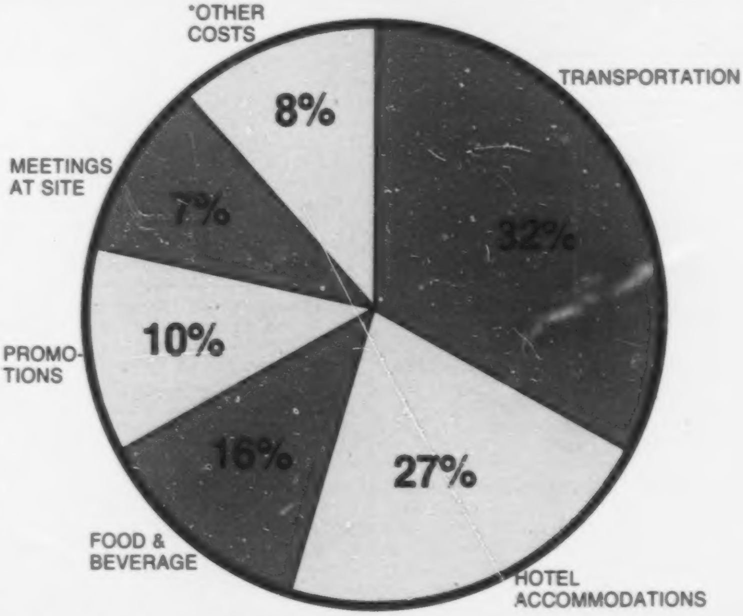
SONESTA INTERNATIONAL HOTELS CORP. 200 Clarendon St., Boston, Massachusetts 02116, (617) 421-5400, (800) 343-7170. *Contact:* Deborah Long Sexton, V.P. Reg. Sales. Incentive promo material. Rate guarantee in months: 12.

SOUTHERN PACIFIC HOTEL CORP. — 1901 Ave. of the Stars, #880, Los Angeles, California 90067, (213) 557-2292, (800) 421-0536. *Contact:* Jane LePorte, Sales Mgr., USA. Incentive promo material. Rate guarantee in months: 24.

SOUTHERN SUN HOTELS — 777 Third Ave., New York, New York 10017, (212) 751-5450, (800) 782-7802. *Contact:* Debbie Urquhart, Dir. of Sales. Incentive promo material. Rate guarantee in months: 24.

STOUFFER HOTELS — 19 W. 44th. St. #514, New York, New York 10036, (212) 944-7350. *Contact:* Rick Reading, Corp. Dir. of Travel Ind. Sale. Incentive promo material. Rate guarantee in months: 12.

WHERE THE TRAVEL BUDGET GOES



**INCLUDES GROUND TRANSPORTATION, SIDE TRIPS, TOURS, INSURANCE, ENTERTAINMENT, ETC.*

Incentive Travel Overview

Despite the romance of travel, brass tacks business is behind most programs.

Incentive travel programs exist to achieve a variety of specific sales and marketing objectives. Because experienced planners differ on cost and result measurements, **Incentive Marketing** annually surveys thousands of incentive travel users to arrive at a meaningful consensus. The following highlights have been extracted from our 1984 survey of key decision-making sales and marketing executives who purchase incentive travel:

- **Objectives.** Increased sales is the No. 1 objective, cited by 81 percent of survey respondents. More specific goals lag far behind; introduction of new products ranks second as the goal of 31 percent of respondents. Offsetting competition was targeted by 20 percent in the latest survey, and 19 percent of respondents aimed to move the full line or to stress special items. (Figures add up to over 100 percent because of multiple responses.)
- **Results.** Survey respondents reported that sales gains resulting from incentive travel programs averaged 17.7 percent. Respondents noted 14-percent sales gains in 1983 and 12 percent in 1982.
- **Budgets.** About 58 percent of the executives in the 1984 survey based their budgets on quotas set in the sales forecast, with 71 percent employing an open-ended program that permits all who qualify to win.

A minority of 33 percent of respondents set the budget first and then established sales quotas to cover costs. Twenty-nine percent established a predetermined number of winners.

- **What portion of the sales increase funds the incentive travel**

Companies are spending increasing amounts to entertain their top performers, with incentive use up 17.5 percent in 1984.

program? In 1984's survey, an average of about 11 percent of incremental sales was invested to cover program costs. However, a significant 49 percent of respondents could not say how they budget incentive travel expenditures.

- **Measuring results.** The favorite measurement in the 1984 survey was based on total units or dollars sold, preferred by 59 percent of respondents. The next favorite evaluation is based on the percentage of participants reaching their goals or quotas, a method selected by 38 percent. Twenty percent judge results by profit on incremental sales; 19 percent use market share measures, and 12 percent look at branch or district performance.

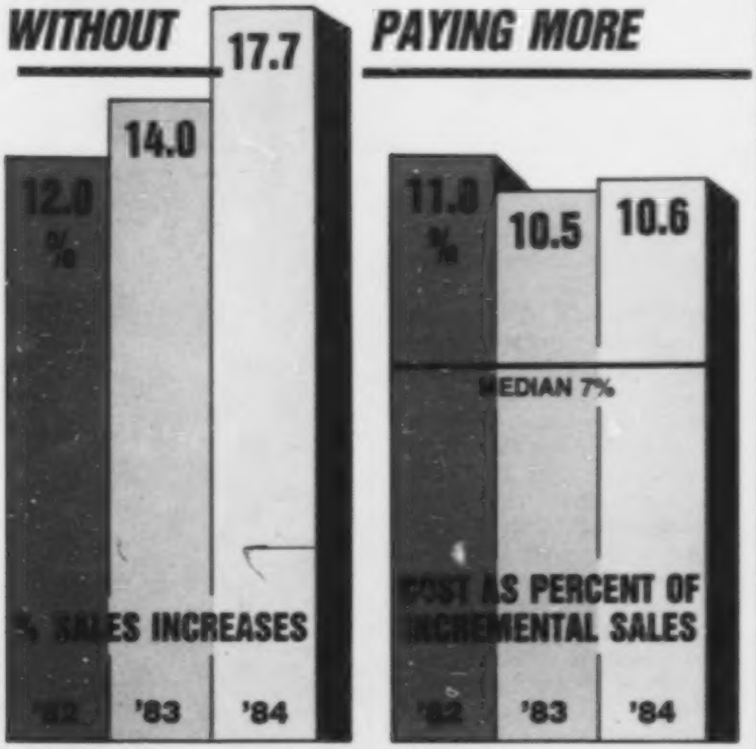
- **How much to spend?** The median per-person expenditure in the latest survey was $1,200, up 20 percent from the previous year. Only 10 percent of respondents spend less than $1,000 per couple on incentive travel, and only 30 percent stayed below $2,000. The percentage of companies offering group trips remains high, at 72 percent, but has declined from the 79 percent reported in 1982. The remainder provide individual travel programs.

- **Where does the money go?** According to the 1984 survey, respondents spent an average of 32 percent on transportation; 27 percent on hotel accommodations; 16 percent on food and beverage; 10 percent on promotional support; 8 percent on ground transportation, side trips, entertainment and insurance; and 7 percent on on-site meetings.

- **How much does U.S. industry spend on incentive travel?** The 1984 FACTs survey, published in **IM's** December 1984 issue, estimated that U.S. companies spent a total of $1.4 billion on incentive travel last year, a 17.5-percent gain from the $1.2 billion reported in 1983. In 1984, companies spent roughly the same on sales incentive programs as they did on dealer and distributor programs.

- **How do companies make travel arrangements?** Despite the important role played by incentive travel firms, only 23 percent of 1984 respondents said they used such companies to make trip arrangements. This figure has shown little increase over the last few years. In the latest survey, 42 percent made arrangements through local travel agencies, 32 percent used in-house staff and 16 percent dealt directly with suppliers. (The survey total exceeds 100 percent because of multiple responses.) ■

GETTING MORE—WITHOUT PAYING MORE



ALL FIGURES REPRESENT AVERAGES IN IM SURVEYS

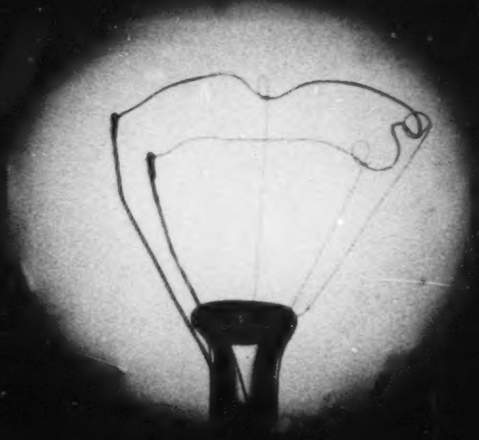
Inside: Equal Access • Focus on Cameras

C1200-4

FEBRUARY 1985

Incentive Marketing

INCENTIVE TRAVEL



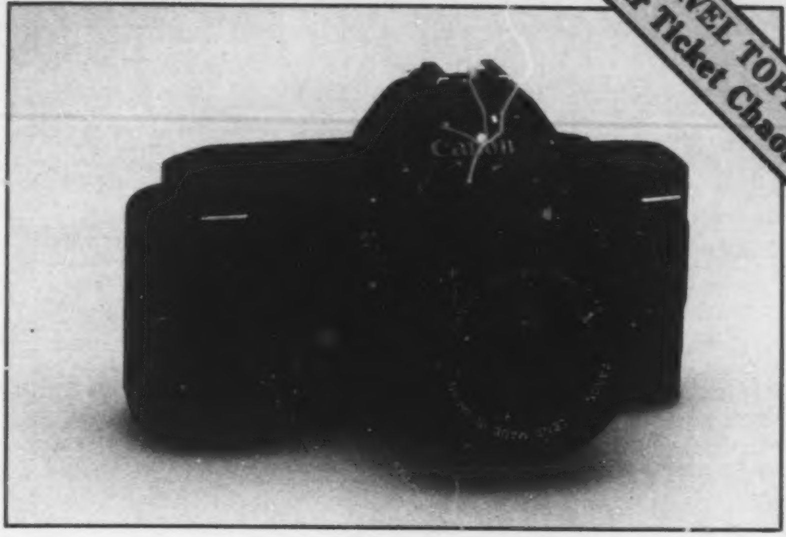
1985 RESOURCE GUIDE

- SUPPLIER LISTINGS
- LEGAL UPDATE
- INCENTIVE OVERVIEW

INCENTIVE MARKETING

February 1985

TRAVEL TOPICS: Air Ticket Chaos?



This month's **IM** *product focus is on cameras—long one of the most popular merchandise categories in the incentive market. See page 23 for details.*

Viewpoint 7
In The News 8
Trends & Comments 10
Show News 12
Associations 34
Rep Firms 34
Service Companies 37
Hotels 37
Calendar 37
Personnel 38
Advertisers' Index 160
IM Action Card 161

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8 ***IN THE NEWS—***
The Scanticon-Princeton Executive Conference Center uses cars as incentives to meeting planners . . . South Korea readies for the 1988 summer Olympics . . . The Incentive Federation plans its 1985 agenda.

14 ***EQUAL ACCESS—***
The major long distance telephone service suppliers have turned to incentives in their increasingly competitive battle for consumer support.

20 ***AIRLINE PRICING—***
Deregulation of airline ticket sales has created confusion for both buyers and sellers of travel.

23 ***DOUBLE EXPOSURE—***
Camera buyers have a plethora of options—in terms of products, supplier services and incentive applications. The big picture looks rosy for the camera industry.

39 ***1985 RESOURCE GUIDE—***

- How to use the guide. A new in-house computer system has enable **IM** to offer additional information on products and services available to incentive users.

- ***Service companies.***
- Incentive houses.
- Fulfillment firms.
- Promotion agencies.
- Consultants.
- Trading stamp companies.
- Professional associations.
- Show management.
- Industry overview.

- ***Manufacturers.***

- ***Manufacturers' reps.***
- Fulfillment tips.
- Promotion legalities.

- ***Index to products and services.***
- Incentives and the law.

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A strong economy helps boost incentive use and assures better results.

Incentive Overview

Incentive usage increased almost across-the-board in 1984, apparently spurred by a prosperous economy. According to the 1984 **IM** FACTS survey, U.S. companies spent $11.83 billion on incentive programs in 1984, a 19.9-percent increase from the $10.44 billion spent in 1983. Continued economic vitality in 1985 would appear to ensure another active year for incentive marketers.

THE INCENTIVE FIELD AT A GLANCE

	1983 EXPENDITURES	% CHANGE	1984 EXPENDITURES	% CHANGE
	(ALL FIGURES IN THOUSANDS—"000" OMITTED)			
SALES INCENTIVES	$2,489,169	7.7	$2,984,320	19.9
Merchandise	1,892,694	7.5	2,260,834	19.5
Travel	596,475	8.2	723,486	21.3
DEALER INCENTIVES	$1,823,227	7.4	$2,045,792	12.2
Merchandise	1,207,834	7.6	1,345,576	11.4
Travel	615,393	7.1	700,216	13.8
MERCHANDISE TOTAL	$3,100,528	7.5	$3,606,410	16.3
TRAVEL TOTAL	$1,211,868	7.6	$1,423,702	17.5
TRADE TOTAL	$4,312,396	7.6	$5,030,112	16.6
BUSINESS GIFTS	$1,034,000	8.0	$1,122,164	8.5
CONSUMER PREMIUMS				
Product Promotion:	$3,009,721	7.3	$3,352,402	11.4
• Mail-In Offers	1,524,432	6.8	1,700,310	11.5
• Direct Premiums	1,485,289	7.8	1,652,092	11.2
Retail Promotion:	$2,084,000	3.8	$2,326,000	11.6
• Trading Stamps	530,000	4.5	554,000	4.5
• Other Retail Premiums	1,554,000	3.5	1,772,000	14.0
CONSUMER TOTAL	$5,093,721	5.8	$5,678,402	11.5
TOTAL USAGE	**$10,440,117**	**6.8**	**$11,830,678**	**13.3**

The consumer promotion category remains the largest segment of the field, as marketers spent $5.68 billion last year to help woo the buying public. Use of mail-in promotions rose 11.5 percent to $1.7 billion, and direct premium use gained 11.2 percent to $1.65 billion.

Like other suppliers, retailers hiked promotional activity last year, with general premium use up 14 percent to $1.78 billion and trading stamp volume up 4.5 percent to $554 million.

Trade incentives to motivate salespeople and dealers showed strong activity in 1984, as the combined outlay rose 16.6 percent to $5 billion. Sales incentive usage gained 19.9 percent to $2.98 billion from $2.49 billion, and dealer incentive spending rose 12.2 percent to $2.04 billion from $1.82 billion.

Use of business gifts continued to rise, up 8.5 percent to $1.1 billion in 1984.

Trickle-down promotions. Consumer premium usage, while relatively robust last year, did not grow as vigorously as trade incentives. Nonetheless, the 11.4-percent growth recorded in 1984 was strong compared with growth rates of 7.3 percent and 2.5 percent in 1983 and 1982, respectively. In addition to spending more for consumer promotions last year, marketers increased their frequency, with the median number per survey respondent reaching nearly four last year versus three the year before. Respondents used an average of 4.6 mail-in offers last year and 5.6 direct premium programs.

In the retail category, supermarkets garnered an important share of the market. Tracked separately by the Association of Retail Marketing Services (ARMS), supermarket continuity programs last year accounted for about $558 million in spending by grocery retailers, surpassing the total of trading stamp programs by a slim $4 million. Between them, the two types of promotions represent about 48 percent of total retail marketing expenditures. Banks and savings and loan associations, another important retail user, last year spent $118 million on consumer offers, up about 7.5 percent from $109.9 million in 1983.

Just as food retailers dominate the retail promotion category, food product manufacturers completely dominate product promotion premiums. Food products suppliers last year spent $937 million on premium promotions, representing 28 percent of the entire consumer premium field and a 12.3-percent gain over 1983.

Pumping sales. The strong growth in sales incentive usage last year suggests that marketers put extra emphasis on pushing their sales forces to get out and sell. The results reported from survey respondents in 1984 suggest that this strategy paid off. Average sales gains of 20 percent reportedly resulted from their sales incentive programs. Respondents said they spent 9 cents of every dollar of incremental sales on their incentive programs.

The gain in sales incentive expenditures last year appears to have resulted from a larger number of qualifying salespeople rather than from increased award allocations. The qualification rate rose to 44 percent last year, up from only 39 percent in 1982 but lower than the high of 54 percent reported in 1981.

About 78 percent of 1984 spending went to merchandise awards and 22 percent was earmarked for travel. Travel outlays grew slightly more than merchandise spending—21.3 percent versus 19.5 percent.

A surprising 35 percent of sales incentive users said they used no other motivational tools last year.

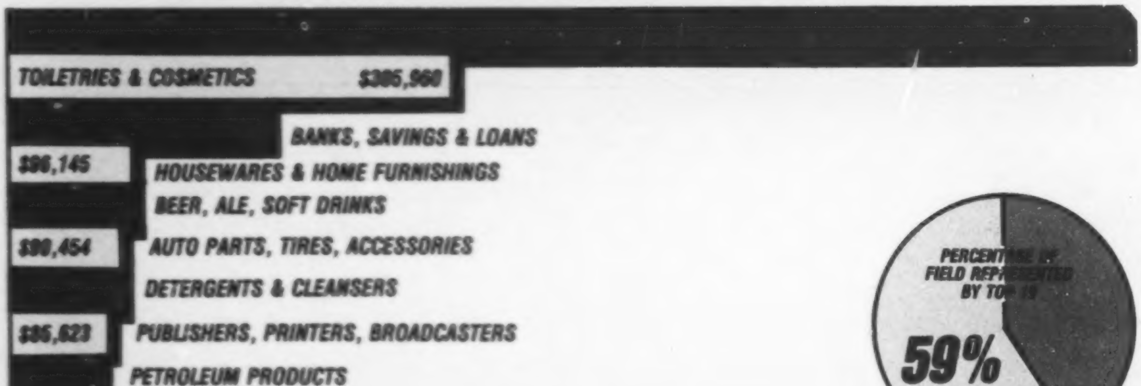
Dealing awards. Recent annual increases in expenditures on dealer motivation programs remained at sluggish levels until 1984, when overall usage gained over 12 percent. The automotive industry led the way, and the insurance industry and electronics, radio and television categories also spent significantly more.

Wholesalers and distributors were the incentive target of 49 percent of respondents in a special July 1984 **IM** survey, followed by retailers (43 percent) and service contractors (29 percent).

Dealer programs apparently bore fruit last year, yielding average sales increases of 16.9 percent. In 1983, respondents reported 15.7-percent average sales gains resulting from such programs, compared with an 11-percent sales growth in 1982 and even less growth in 1981.

Companies invested about 10 percent of incremental sales into their dealer programs, a decline of a percentage point from the year before. The qualification rate went over the 50-percent mark for the first time in several years. The overall average cost of dealer merchandise programs was $125 per recipient this year, compared with $178 the year before. About 55 percent of users' eligible audiences received merchandise awards this year, up from 49 percent the year before. About two-thirds of overall dealer expenditures were devoted to merchandise awards, and overall merchandise usage in this category gained 11.4 percent. ■

TOP 10 CONSUMER PREMIUM USERS (1984)



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MARCH 1985

Incentive Marketing

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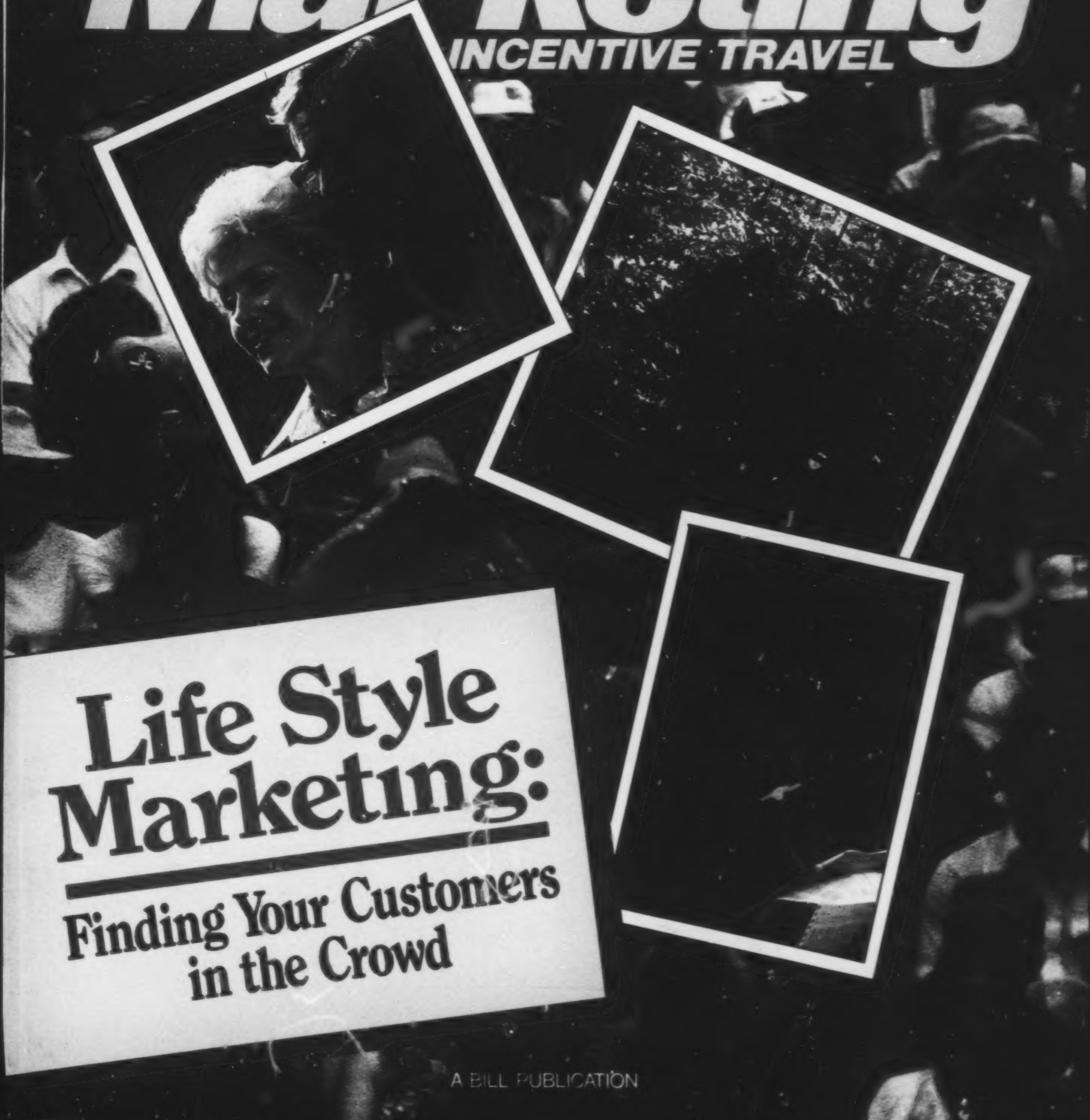

Life Style Marketing:

Finding Your Customers in the Crowd

A BILL PUBLICATION

INCENTIVE MARKETING

PRODUCT FOCUS: Clocks and Watches

March 1985

IM's monthly market report examines incentive use in the insurance field. See page 39 for details on how insurance policies put a premium on sales incentives.

Viewpoint	**5**
Trends & Comments	**15**
Show News	**16**
The Marketplace	**20**
Transportation	**80**
Hotels	**80**
Destinations	**84**
Associations	**84**
Service Companies	**85**
Manufacturers	**86**
Personnel	**88**
Calendar	**90**
Advertisers' Index	**90**
IM Action Card	**91**

81st Year
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ISSN-0019-3364

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6 ***IN THE NEWS—*** Airborne Freight Corporation launches the first large-scale promotion in the highly competitive overnight small package delivery business . . . Mexico City will host the 1986 World Cup soccer tournament—an intriguing travel promotion tie-in . . . A treasury tax reform proposal may have an adverse effect on incentive travel . . . Kellogg's seeks to capitalize on the growing physical fitness trend with a health club tie-in.

27 ***LIFE STYLE MARKETING—*** SRI International's Values and Life Styles (VALS) market research program can help position incentive programs to maximize their impact. VALS goes beyond demographics to classify people by attitudes and life styles.

39 ***INSURANCE POLICIES—*** Insurance companies rely heavily on sales incentives—particularly travel awards—to nurture top-performing agents.

45 ***KEEPING TIME—*** IM's March product focus centers on the always-active clock and watch category, with interviews with industry experts on what buyers should look for. Guidelines cover product features, styling and selection, as well as supplier support.

59 ***TRAVEL CLOSE-UP: FLORIDA—*** Easy access, favorable climate and diverse resorts and visitor attractions make Florida a tried-and-true incentive travel destination. This month's destination report examines America's favorite place in the sun overall—and region-by-region.

75 ***INSIDE PROMOTIONS—*** Clorox moves to reward consumer loyalty . . . *Time* magazine zeros in on travel preferences . . . J&B Scotch bets on high stakes in sweepstakes . . . Golf equipment makers tee off promotional competition.

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FINDING YOUR CUSTOMERS IN THE CROWD

Life Style Marketing

By Pat Seelig

Like King Arthur and the Knights of the Round Table, incentive marketers may be on the verge of finding the Holy Grail that unlocks the secret to developing effective incentive programs. And their knight errant is a soft-spoken social scientist named Arnold Mitchell, armed with a program called VALS.

An acronym for Values and Life Styles, VALS was developed by Mr. Mitchell at SRI International, a Menlo Park, Calif. think tank formerly associated with Stanford University. Still in its formative stages in terms of business applications, VALS has been hailed by marketing research experts as one of the most exacting methods of positioning incentive programs, products and advertising, and goes beyond demographics to show how peoples' values and life styles influence their buying and work habits.

Mr. Mitchell explained that VALS, named by advertising trade journal *Advertising Age* as one of the 10 best marketing ideas of all time, is not in widespread use in incentive program development, but its impact could be dramatic in this area—at both the consumer and employee level. "VALS helps identify what motivates your customers or employees," he said. "You can develop incentive programs to appeal to those values, and they (incentive programs) likely will be more effective."

"The better you know your market, the better you can communicate with it," added Ginger Strong-Tidman, vice president/research director at Dallas-based Bozell & Jacobs/SW, the largest advertising agency in the Southwest. "As far as its applications to incentive programs, VALS can enable you to tailor programs to meet the values of customers or employees.

"For example, if a company has a lot of shift workers, you can prepare a selection of incentives to appeal to the different employee segments. The older ones might prefer additional pay, while the younger ones might want more time off to be with their families," she said.

"Management types have a different sense of values; they are older and usually Outer-Directed (see sidebar), but they usually share the same traits, so a company can develop an incentive program based on these traits."

VALS can be most effective in sales motivation, according to Mr. Mitchell. "Most salesmen are Outer-Directed, and they might respond to an incentive program that gives away a trip to Las Vegas. Inner-Directed employees, who are often found in high technology,

"VALS can enable you to tailor incentive programs to meet the values of customers or employees."

would be more likely to respond to a program that would give them six weeks of backpacking in Nepal."

Ms. Strong-Tidman stressed that VALS enables a consumer-oriented company to target its marketing efforts based on the product and its heavy user. She cited the recent use of VALS by Hyatt Hotels of Chicago to redefine its room amenities package. "Hyatt found out that a majority of its customers wanted to have access to jogging facilities and liked granola on the breakfast menu. They added these amenities to reflect the desires of their customers."

The Bozell & Jacobs researcher is quick to say that VALS is "not for everyone." But she adds that VALS plays an important role in the $200-million advertising agency's new business presentations and has been used to develop advertising and incentive programs for accounts such as American Airlines, Pace Foods and Southwestern Bell Mobile Systems. "They (the client) don't always know we are using VALS, but we use it frequently."

The companies that Mr. Mitchell lists on his VALS subscriber list read like a who's who of corporate America. Firms such as AT&T, Canon, Coca-Cola, Eastman Kodak, Dow Chemical, Gillette, Kraft, Nikon, R.J. Reynolds, Shell Oil and Timex have used VALS information from SRI. The technique seems to be particularly attractive to the magazine publishing industry, with all the major Time-Life units on the VALS client list, as well as diverse publications ranging from *Penthouse* to *U.S. News and World Report*.

The use of VALS among the larger firms is often restricted to the corporate research level to identify long-term marketing strategies, and, at some companies with high-profile incentive programs, may not be a factor in formulating the programs. "We subscribe to VALS, but we also subscribe to a number of other research techniques," said Patty Wainright, manager of media relations for AT&T Communications, Whippany, N.J. "We did not use VALS in developing the Opportunity Calling program."

VALS can, however, affect the bottom line in certain situations.

One situation involves Ray Ellison Homes, a San Antonio, Tex. home builder. The firm was on the brink of disaster after the housing recession of 1981. The company had laid off more than 40 percent of its employees and was faced with an inventory of more than 1,000 unsold homes.

The home builder turned to VALS to help identify its true customer base, and the results have been dramatic. "Last year was our best ever," said Jim Tilton, vice president-merchandising and advertising. "We had sales of $240 million, an increase of 48 percent over 1983."

Mr. Tilton is quick to credit VALS for the company's success. "We were in the process of reevaluating our entire company after the recession," he said. "We felt we often fell short of our goals because we disagreed on the values on which we based our goals. We determined that if our goals were consistent with our values, we could reach them."

This corporate soul searching led Ray Ellison to Mr. Mitchell and SRI. "We wanted to be able to identify the values of our customers to be able to better merchandise our homes." he said.

SRI launched an intensive home-buyer survey of the San Antonio market that included questionnaires and focus groups. The survey quickly identified three important VALS groups for Ray Ellison Homes—the Achievers, the Societally Conscious and the Belongers, all relatively affluent VALS groups.

The information provided Ray Ellison Homes with the insight to develop a marketing effort designed to appeal to each of the identified groups. A major part of the effort was three television commercials highlighting VALS groups values, but the group data was most important in helping the home builder at the point-of-sale.

"We found that the majority of our customer base was Outer-Directed (the Achievers and Belongers), but we didn't want to ignore the Societally Conscious group, so we decided to decorate our model homes to reflect the values of all our target groups."

Mr. Tilton said the firm decorated at least one model home in each subdivision to reflect the values of each group. Amenities such as fireplaces and wet bars were part of the Achiever decor, while large bathrooms and natural woods were part of the Societally Conscious emphasis.

The Belonger group design was particularly important to Ray Ellison because of the large Hispanic population in San Antonio. Belongers have a strong sense of tradition and family—traits reportedly common in close-knit Hispanic families—and the Belonger design stressed the family room and kitchen.

VALS can be most effective in sales force motivation, according to its developer, Arnold Mitchell.

"We knew that a single style of decor would turn off some people once we got them to the models," said Mr. Tilton. "By designing our models for each group, we felt we were able to show them that they would be comfortable in our homes.

"Unless a company is willing to acknowledge that its products are consumer-driven, it will not survive," Mr. Tilton continued. "VALS enables a company to discover what factors drive the consumer and help him meet those desires. It is a lot easier for a company to know these things going into product development rather than trying to retrofit a product," he said.

Tapping the resources of the VALS program is relatively easy. All it takes is money. Since its inception in 1978, the VALS program has become a $175-million nonprofit annual business with a staff of 19. Its revenues are reinvested into research. An initial investment of $26,000 enrolls a company in SRI's "Leading Edge" program that provides updated information on VALS and the forces that shape its groups.

The potential use of VALS in developing an incentive program is not much different than SRI's work with Ray Ellison Homes. SRI would survey a target market sampling or employee base to deter-

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"Management types have a different sense of values; they are often Outer-Directed."

mine which major VALS groups are represented. After analyzing the data, SRI would work with a client to determine which strategies would be most effective in developing an incentive program that appeals to the target market through its values and life styles.

"People have traits from all VALS groups," said Bozell & Jacobs' Strong-Tidman, "and they often change VALS groups at different times in their lives.

"One problem with VALS is that too many people look at it as a be-all and end-all," she continued. "It's not. It is an additional tool that we can use to help us know more about our customer to help us make a sale." ■

VALSpeak

When most people hear the word VALS for the first time, their natural reaction is: "What's that?"

This confusion is to be expected because VALS is the newest, and some say the most effective, way to measure consumer attitudes in a way that enables companies to position their products and services to meet the various needs, wants, beliefs and demographics of their target markets.

Conceived in 1978 by Arnold Mitchell, a social scientist at SRI International, a Menlo Park, Calif. think tank, VALS stands for Values and Life Styles and divides people into four major categories with a total of nine life styles. The groups are:

1. ***Need-Driven***
   Survivors
   Sustainers
2. ***Outer-Directed***
   Belongers
   Emulators
   Achievers
3. ***Inner-Directed***
   I-Am-Me's
   Experientials
   Societally Conscious
4. ***Combined Outer-and Inner-Directed***
   Integrated

These categories are not fixed, and most people enter new categories as they grow older and respond to changing environments. The majority of the VALS subjects are Outer-Directed and are most often the market groups sought after by companies.

Outer-Directeds make up 67 percent of the VALS distribution, with the Achievers rated the most desir-

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able sub-group. These captains of industry account for 20 percent of the market.

Emulators, as their name implies, want to be like the Achievers, but they just haven't figured out how. Of all the VALS groups, there are more minorities in the Emulator category than in any other group—with the exception of the need-driven groups on the lower end of the economic scale.

The largest sub-group, with more than 39 percent of the population, is the Belongers. These people belong to civic clubs, community organizations and church groups. All indications show Belongers are the happiest of all VALS groups and are less bothered by stress.

The Inner-Directeds are led by the Societally Conscious. These are former 1960's flower children who drive cars like Volvos and are active in environmental groups. They often are quite successful financially and, while they may have the financial clout of Achievers, may not be motivated by the same things.

The Experientials often are considered youthful Societally Conscious people. They seek diverse experiences and often are attracted to the exotic. They tend to be artistic and are prone to becoming passionately involved with others.

The I-Am-Me's are today's punk rockers. They are people who defy society's standards to show that they are not influenced by what others think. They are sometimes dramatic and impulsive but can mature into Inner-Directed achievers.

Since its inception in 1978, VALS has become a $175-million nonprofit annual business with a staff of 19. Revenues are invested into research.

The Need-Driven Survivors and Sustainers and the Integrated personality represent the two extremes on the VALS scale.

The need-driven groups are considered by companies as the least-desirable VALS groups. They often include elderly people on fixed incomes who can barely hang on to what little they have left in life. The main difference between Survivors and Sustainers is that typical Sustainers are younger and haven't yet given up on their life goals.

The Outer- and Inner-Directed groups comprise what Mr. Mitchell calls the "Double Hierarchy," which defines the two categories as separate but parallel in the personality development stage.

As these parallel categories merge, the Integrated personalities emerge. These are the Jeffersons, Lincolns and Einsteins of the world. They meld the power of the Outer-Directed personality with the sensitivity of the Inner-Directed personality. They usually can put the world into perspective and are deeply aware of their surroundings.

The dominance of one particular group in society is often cyclical. During the Great Depression and World War II, there were a preponderance of Sustainers and Survivors, but during times of economic prosperity the Achievers and their Outer-Directed brethren tend to emerge. As expected, the 1960's saw an unusually high number of Inner-Directed people.

According to Mr. Mitchell, it is possible for a person to be Inner-Directed personally and Outer-Directed professionally. But, he adds, he seldom sees the opposite because Outer-Directed people tend to lack sensitivity to their inner feelings, while Inner-Directed folks may see the value in an Outer-Directed professional personality. ■

KEY DEMOGRAPHICS OF THE LIFE STYLES

	FEMALE (%)	MEDIAN AGE (YR)	MEAN EDUCATIONAL ATTAINMENT (YR)	CAUCASIAN (%)	MEDIAN HOUSEHOLD INCOME, 1980($)
SURVIVORS	60	66	8.4	55	< 5,000
SUSTAINERS	52	32	9.9	57	9,000
BELONGERS	60	54	10.8	92	14,000
EMULATORS	48	28	12.5	76	19,000
ACHIEVERS	39	42	13.6	95	35,000
I-AM-ME'S	42	20	11.7	87	12,500
EXPERIENTIALS	61	26	13.9	96	26,000
SOCIETALLY CONSCIOUS	54	38	14.9	89	30,000
INTEGRATEDS	54	40	16.0	93	34,000

SOURCE: VALS/SMRB, 1981 SURVEY.

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APRIL 1985

Dealer Merchandising:

The Double-Barreled Approach

Destination: San Diego

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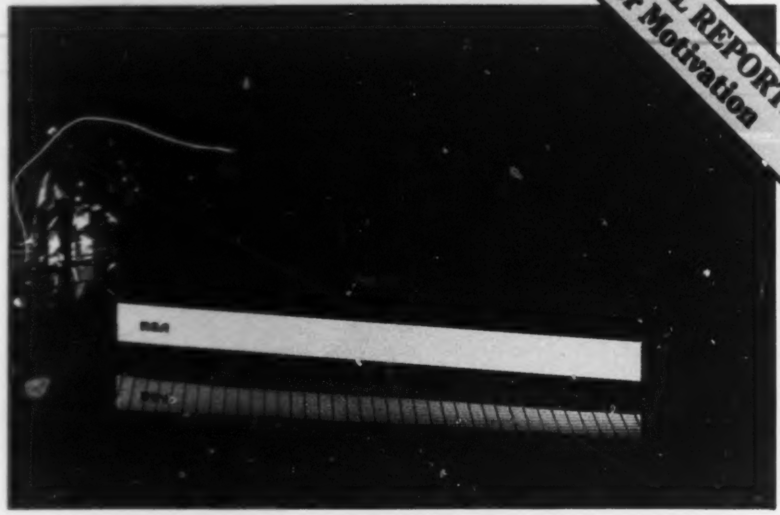
SPECIAL REPORT:
Dealer Motivation

April 1985



IM explores the sights and sounds of the consumer electronics marketplace, with tips from some insiders on what to look for. See page 76 for details.

Viewpoint 10
Letters 12
Show News 36
The Marketplace 42
Inside Promotions 98
Transportation 102
Hotels 106
Manufacturers 107
Service Companies 108
Associations 108
Personnel 109
Calendar 110
Advertisers' Index 112

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Leslie Jean-Bart

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14 ***IN THE NEWS—***
Major car rental agencies in new battle for market share . . . Fulfillment experts downplay potentially negative effects of postage increase on incentive use . . . 1988 Australian Bicentennial offers interesting travel tie-ins . . . Detroit high school profits from licensed merchandising . . . Barbados gets new tax status . . . New garment label law in effect . . . IRS may tax frequent flyers.

49 ***DEALER MOTIVATION—***
IM's annual FACTS Update finds spending for both merchandise and travel dealer incentive programs on the rise, with resulting average sales gains approaching 19 percent.

58 ***DOUBLE-BARRELED MARKETING—***
Three case studies show how diverse companies incorporate dealer motivation into joint trade/consumer promotion efforts.

68 ***EMPLOYEE MOTIVATION—***
A new monthly section examines recruitment inducements in the electrical and electronic engineering industries, as well as a new service program at the JW Marriott, to begin a series of varied features.

76 ***SIGHTS & SOUNDS—***
Audio, video and telephone products offer a wide range of hot buttons for incentive buyers to press.

86 ***TRAVEL CLOSE-UP: SAN DIEGO—***
Creative suppliers, plenty of visitor attractions and year-round favorable climate keep the city hot for incentives.

94 ***DESTINATION: GREECE—***
Adventurous travelers in search of historical sightseeing in a resort setting can find it all here.

With spending growth forecast at 10.4 percent, marketers' 1985 dealer incentive outlays should surpass $2.1 billion.

Dealer Incentives

All indicators are up for dealer incentives—except for bottom-line costs.

After several depressed years, 1984 brought an upswing in both merchandise and travel offerings, and 1985 appears to be staying on course.

That's the consensus of dealer incentive users in **IM's** latest survey of their practices and performance. The study shows that:

- 1985 sales gains through dealer promotion average 18.7 percent, somewhat above last year's level, which was the best result since 1979.
- Program costs in relation to incremental sales gains remain at a median of 10 percent, the same as last year's, and the best record of this decade.
- Dealer participation is at a high level, following several slump years.
- Last year's estimated expenditure total increased by 12.2 percent from 1983, to pass the $2-billion mark for the first time. User estimates for this year are not far behind, up 10.4 percent, and indicate significant real growth in a period of lowered inflation.
- Almost two-thirds of the marketers responding to the survey said they are increasing their expenditures for dealer incentives this year.

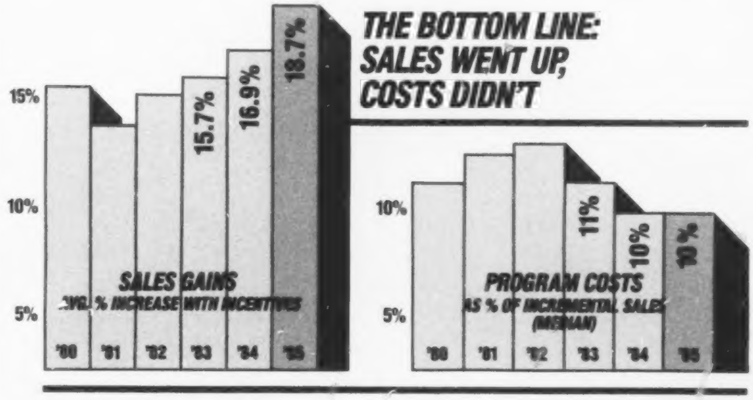
Real dealer incentive expenditures declined considerably in 1982 and 1983, with inflation taken into account. But 1984 showed a turnaround in marketers' response to a recovering economy—an increase of 12.2 percent, or about $222.6 million—to the new high estimate for the year of $2.04 billion. Travel usage expanded a bit more than merchandise, accounting for 34 percent of the dealer total.

The automotive industries led the growth last year, as vehicle manufacturers boosted dealer expenditures by 17.2 percent, and the parts, tires and accessories suppliers raised outlays 19.2 percent over 1983 levels. Since they ranked as the top two user industries, their resurgence contributed significantly to total growth.

Insurance companies, though not in the top 10 here, are big users and added $7 million to rank third in growth, with a 13.7-percent rate. Even the beleaguered farm equipment industry increased its allocations by 9.5 percent, the lowest gain among the biggest users.

Approximately the same pattern of increased spending is seen in the latest special survey. A total of 194 companies supplied usable reports in time to be tabulated; they submitted their data and projections for 1985 activity in February and March. Dollar expenditures and budgets for both 1984 and 1985 were supplied by 168 of these firms, and their forecasts are the basis of the estimates of growth this year, which predict spending 10.2 percent above dealer incentive efforts in 1984.

Who are these middlemen the marketers seek to motivate? Almost half (49 percent) of the respondents direct their programs toward wholesalers or distributors. Most companies aim incentives at more than one variety of dealer—about 1.7 types on the average in this survey. This is how their activity is distributed:



THE BOTTOM LINE: SALES WENT UP, COSTS DIDN'T

← Circle No. 121 on Buyer Action Card

Sales gains through dealer promotion are averaging nearly 19 percent this year.

49%	**Wholesalers & distributors**
28%	**Commercial or industrial dealers**
25%	**Specialty stores**
19%	**Retail grocers**
11%	**Drug stores**
11%	**Service contractors**
10%	**Variety or department stores**
9%	**Service stations**
9%	**Others (including insurance brokers, franchisees, beauty salons, lumber yards, travel agents, home builders, golf pros, feed stores, etc.)**

People are in business to make money, and for that reason incoming sales dollar volume is a top consideration. So it is no surprise that "Increase Overall Volume" is always the most popular objective in the survey reports—checked by 80 percent or more of the executives in some past surveys. But what is done to bring in those increased dollars is what incentive programs are all about, and this is probably why marketers in the current survey indicated an average of almost three objectives in their incentive plans. This diversity of goals also has been apparent in the drop of the "Increase Overall Volume" response to 70 percent a year ago and 69 percent in the present survey.

Introduction of a new product is a major event for any company—and a major area in which incentives can help. Supporting new product launches is the second most popular choice among objectives, mentioned by 42 percent. Balancing sales by moving a full line or pushing slow movers is the incentive job for 30 percent, but is tied for third place with improving morale and good will in the dealer community. The ranking of all nine listed objectives is shown by the chart on page 51.

The typical user of dealer incentives—using merchandise, travel or a combination of both—conducts two such promotions each year. That is the median number, although the average is more than three for those using merchandise, since some use many short campaigns. The largest single group, more than a third of the companies, reported only one program a year.

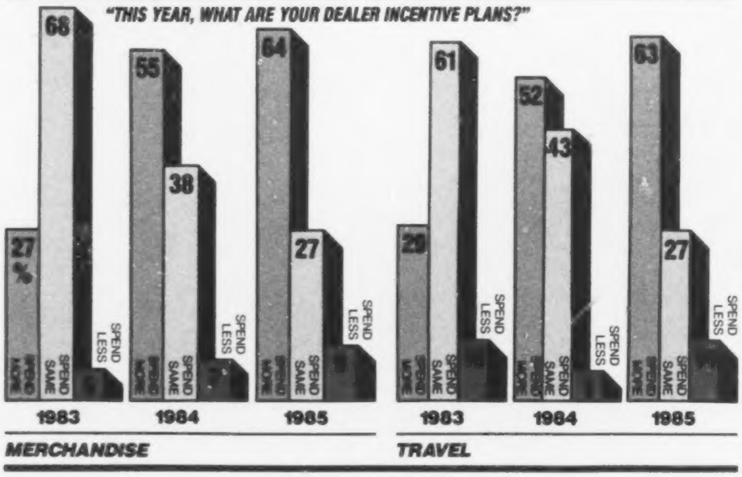
These promotions often are focused differently—which may be the impetus to run more than one. The options generally are to push a single product, a selected few or a full line. Although many marketers shift their practices to fit their needs, the dominant approach for 43 percent is to feature a group of selected items. Another 33 percent usually apply incentives to promote full lines, while the remaining 24 percent concentrate the effort on one product.

Given a specific objective, the definition of the target audience and the product mix to be emphasized, there is nothing left but to plan the incentive campaign. That, however, is a lengthy and difficult process. For example, the Cadillac division of the General Motors Corporation, Detroit, has a track record of incentive successes and enlists the help of a professional incentive house for its programs. Still, Cadillac's Robert Hickman says the most difficult part of the whole thing is planning "the logistics and details of a very complex program."

Part of the planning is the assignment of internal responsibilities for administrative details, and an Eastern bakery executive finds this the toughest part. The problem: "One person having the time out of a tight weekly schedule to dedicate proper follow-through, A to Z, including keeping everyone informed of progress." And, there is the question of top management approval and support, which many users point to as a major source of frustration. An automotive aftermarket executive with seven-figure incentive budgets says his greatest problem is "getting programs approved by management before it is too late for the program."

All of this explains why the planning of the dealer incentive promo-

LOOKING AHEAD . . .



WHAT CAN DEALER INCENTIVES DO?

% OF RESPONDENTS REPLYING TO EACH OBJECTIVE

69%	INCREASE OVERALL VOLUME
42%	INTRODUCE NEW PRODUCT
30%	MOVE FULL LINE OR SLOW ITEMS
30%	IMPROVE MORALE/ GOOD WILL
26%	OFFSET COMPETITION
20%	BOLSTER SLOW SEASON
20%	BUILD DEALER TRAFFIC
18%	SUPPORT CONSUMER PROMOTION
12%	PREPARE FOR STRONG SEASON

tion usually takes longer than the campaign itself. With merchandise users, the average planning time is 15 weeks (the same as a year ago), whereas the promotion itself runs an average of 11 weeks—ranging from seven or eight weeks for a special deal or display premium offer to 15 for a contest or sweepstakes.

Travel users spend more than twice as much time on planning—an average of 31 weeks (up from 27 last year)—and their campaigns run 26 weeks, on the average. The latter figure also is longer than last year's estimate, by four weeks.

Because the reporting executive obviously does not devote full time to planning, the average travel user company constantly is in the planning process. There also is some overlap of programs, since 52 weeks in a year don't provide time for 62 weeks of planning. The typical merchandise user has a fair amount of slack time, spending a little more than half of the year involved in some aspect of incentive planning.

Between the planning and the campaign itself, there is an important date—the promotion launch. This depends upon many factors, including seasonality of product, fiscal years, competitive conditions, trade buying practices and so on. Generally the start for the largest number—28 percent—coincides with the beginning of the calendar year in January. This is partly attributable to the relatively large number of 52-week programs. Second choice is September, favored by 22 percent. April comes in at 16 percent, and four months are used for campaign kick-offs by 12 percent each: February, March, June and October.

The also-ran launch months are July (10 percent), August (9 percent), December (8 percent), May (7 percent) and November (5 percent). The total naturally far exceeds 100 percent, since many firms conduct more than one promotion a year.

Having decided what the company wants to accomplish, how it intends to achieve its goals and when, the next steps usually break desired sales results and available funding into a specific budget, and select awards that will fit the audience, the goals and the budget.

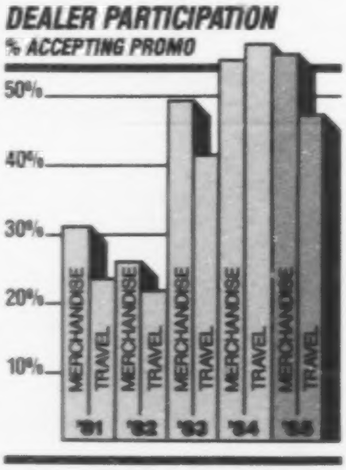
Merchandise or travel? What kinds and how many items of merchandise? Group travel or individual trip awards? Many facts govern these decisions. For example, for a quick promotion of a few weeks, group travel probably doesn't make sense. If the big push is for a product assortment package that costs a few hundred dollars, a TV set or VCR won't work.

Finally, what sources do you select for awards, and how much programming assistance do you want from them? Each marketer writes his or her own answers to these questions, but an overview of respondents' consensus is depicted in "Types of Awards" on page 54.

Timing of award delivery is a concern of virtually every user. "The quality of the premium house we deal with," says a Midwestern chemical manufacturer, "is very important! If they promise certain delivery dates and don't deliver, then I receive a lot of angry calls from people waiting for their premiums. That makes us look incapable of good service and defeats the purpose of giving premiums."

A seed distributor echoes the problems of supplier performance and, while this company uses a full-service incentive house for major travel programs, the respondent says, "We usually end up doing the whole thing ourselves." But, regardless of the source, D. Lewis, vice president of sales, Cheney Company, a New Berlin, Wis. manufacturer, finds a problem in "being able to purchase premiums at a reasonable cost. With the number of discount houses, manufacturers' reps' costs are sometimes higher than outright purchase from a discount store."

The unit cost of awards in general has increased this year. While the average expenditure for travel dropped from 1984's $1,890 to $1,748 in 1985, the median rose from $1,200 to $1,500—so more people are paying more for trips. In merchandise, a reverse situation has ocurred. From last year's average of $125 (considerably lower than the


DEALER PARTICIPATION

% ACCEPTING PROMO

Dealer promotion users report they are spending an average of 19 percent of their program budgets to communicate their aims to the trade.

year before), the figure in the current survey has climbed to $162, but the median stayed at $50, where it has held since 1981.

Communicating the details of a campaign to the trade takes a big part of the effort. This aspect requires a much larger budget than, for example, that of a sales incentive program (1984 average was 11 percent). This year dealer promotion users report they are spending an average of 19 percent of all incentive budget dollars for program promotion, with 81 percent for the actual purchase of awards. This represents a cutback from the similar 1984 estimate, which was 27 percent for promotion.

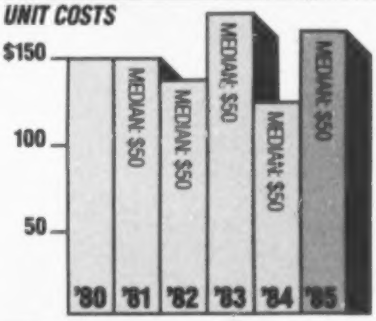
Seven principal routes are used to get the message through to the middlemen; these are the percentages of users choosing each:

64% Through company sales force
45% Direct mail
39% Dealer sales meetings
36% Literature with product
28% Trade shows
22% Through wholesalers or brokers
12% Trade publication advertising
3% Other promotion

The communication effort is not all directed outward. As W. A. Leslie, vice president and sales manager, Integrity Mutual Insurance Company, Appleton, Wis., puts it, a real problem lies in "corporate acceptance of the degree of effectiveness of incentive travel. Top management is in complete agreement; however, rank and file employees are sometimes resentful." And an Eastern carpet distributor complains of "salesmen's lack of effort during the purchase period to properly enthuse dealers to earn quota." This company does not run an incentive program for the salesmen, as many do to enhance their support.

Geography is the problem for S. P. Goodwin, vice president/general manager, STP International Inc., Boca Raton, Fla. "Worldwide reactions differ greatly. It is very difficult to design a program that the 100 or more distributors will accept and still more difficult to design one that they will push through their dealers. Values and attitudes valid in one part of the world are often a joke in other markets."

MERCHANDISE AWARDS



Award unit costs, in general, have gone up. Current survey data put the average merchandise item cost at $162, up from $125 in 1984.

"Keeping the excitement level up" poses a communications problem for Fred Hogg, president of Hogg & Davis Inc., a Long Beach, Calif. manufacturer. "Products are high-ticket, low-volume items that require months to move. We are now finding some dealers cutting incentive participation because too many manufacturers are offering (travel) programs."

In the end, evaluating the results of the campaign is the greatest challenge for many marketers. A Midwestern food firm, offering mostly merchandise incentives to wholesalers, estimates sales gains on a par with most. But the executive responsible reflects the concern of many: "We have run the same program the last five years. How do you evaluate what sales might have been without the program?"

Adler-Royal Business Machines Inc., Union, N.J., offers two major trips a year "to help us make the sales and profit quota for the year," says James Lee, vice president. "The trips are also designed to build dealer loyalty and improve morale and good will. The most difficult problem is evaluating the actual value of sales developed by the use of the incentive trips."

Recognizing the need for deeper evaluation, J. Flannery, advertising manager, Kardex Systems Inc., Marietta, Ohio, notes, "It is difficult to get funds for measuring how an incentive program performed against specific and measurable objectives. Without measurement, you can only guess that your budget is being spent as effectively as possible."

Nevertheless, the great majority participating in the surveys do estimate their sales results, and the average of their findings is now at a high level. The average gain in the

Planning a program often takes more time than the program itself.

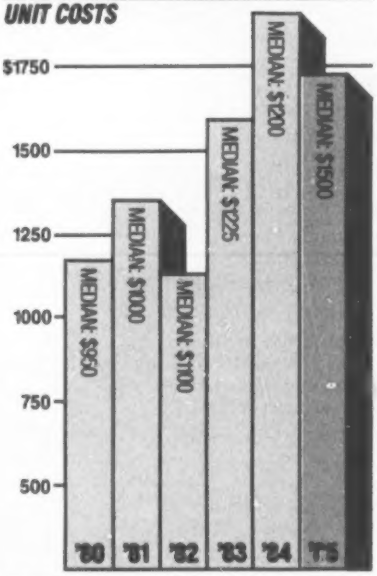
1983 survey was 15.7 percent. The present survey group reports a slightly lower 1983 average, 14.9 percent. But, in 1984, they moved up to 18.2 percent—and for this year, the forecast is 18.7 percent. While the averages are used in this case to give an overview of the entire field, the median also is of interest. For this group of executives, the median reported was only 11 percent in 1983, but in 1984 and 1985, the figure is up to 15 percent.

Neither conducting nor planning a dealer incentive program is easy. But, as the survey shows, the programs are worth the effort when they can achieve better sales results with stable costs and involve a majority of the dealer organizations, as these have in the past two years.

So they'll keep doing it—and more of it, as almost two-thirds of the respondents told IM. ■

TRAVEL AWARDS

UNIT COSTS



Types of Awards

What to offer and where to get the awards are obvious essentials of incentive programs. There are no right answers, only the right ones for each user in terms of his objective, audience, product and many other factors. But here is a consensus of the choices made by this year's respondents:

What types of awards do you most often use as dealer incentives?
(% of total respondents)

44% Single premium or few related items
36% Merchandise from incentive firm's catalog
20% Own merchandise catalog or selection
22% Individual travel awards
21% Group trips

Type of merchandise considered most effective:

55% Home or family items
43% Personal items
23% Business-use items

How merchandise premiums are delivered:

62% Shipped separately
27% Delivered by sales force
4% Packed with product

Type of supplier generally used:
Merchandise awards

44% Wholesaler or premium jobber
41% Direct from manufacturer
28% Manufacturers' rep
25% Full-service incentive agency

Travel awards

53% Make own arrangements
37% Full-service incentive agency
25% Travel wholesaler
11% Travel carrier or hotel ■

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MAY 1985

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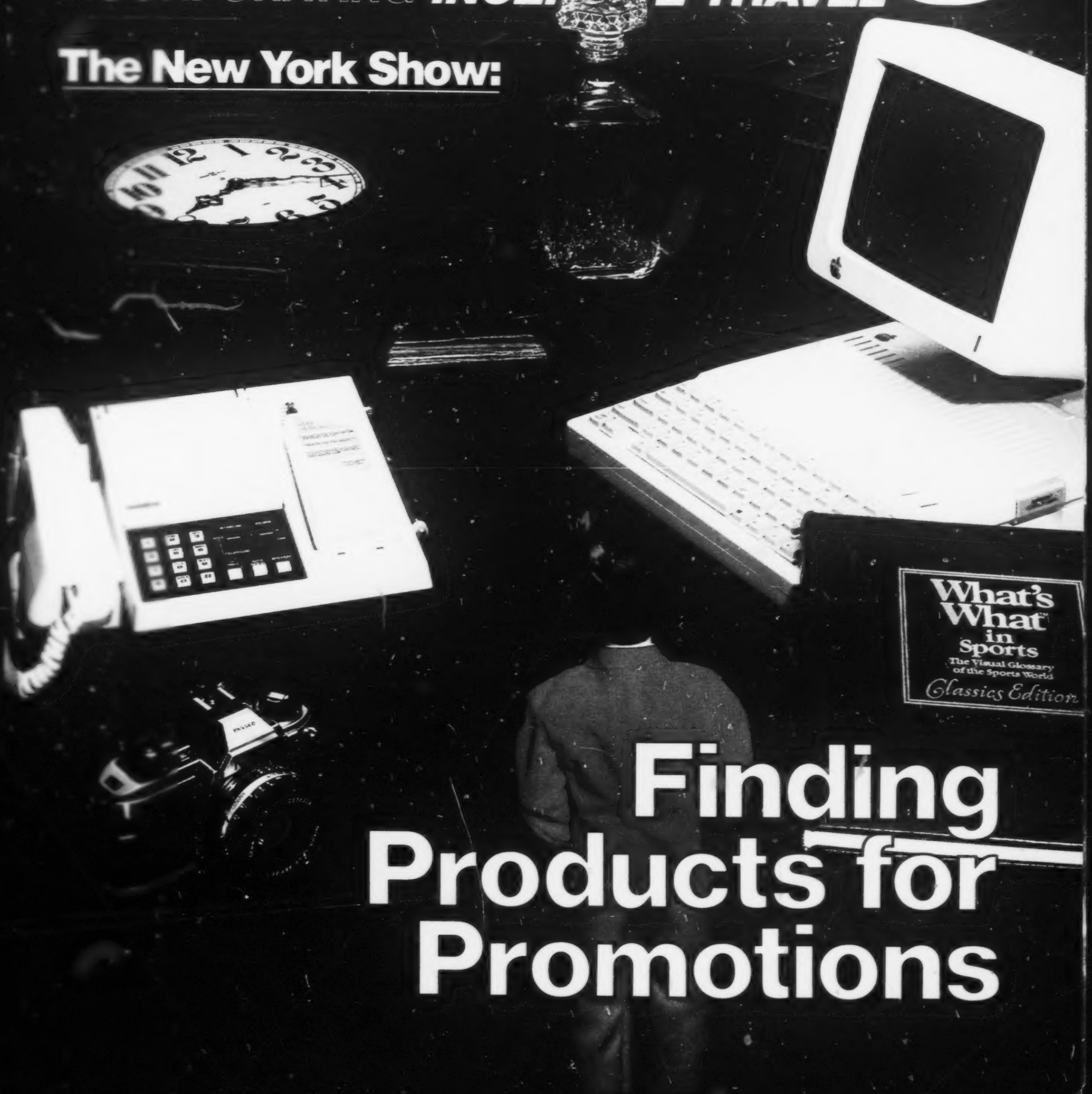
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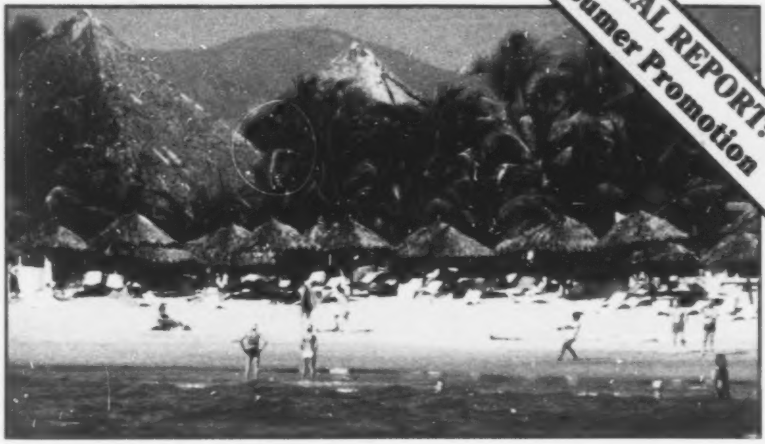

The sun is up, the peso is down and many incentive groups are flocking south of the border to Mexico. See page 85 for details.

Viewpoint 10
Trends & Comments 22
Show News 25
The Marketplace 30
Inside Promotions 106
Associations 110
Hotels 110
Destinations 114
Transportation 116
Manufacturers 118
Service Companies 122
Rep Firms 124
Personnel 124
Calendar 128
Advertisers' Index 138
IM Action Card 139

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12 ***IN THE NEWS—*** Ice cream manufacturers ready summer promotions . . . PMAA Update speakers address hot trends in audience targeting . . . Travel planners can send groups off to the races in Kentucky, Indiana . . . New statute limits gifts to banks . . . Cars can work as awards for women.

43 ***CONSUMER PROMOTION—*** Marketers responding to IM's annual survey anticipate spending 15.5 percent more on consumer premiums this year than in 1984.

60 ***CONSUMERS ON THE GO—*** Travel has become an increasingly popular award choice for suppliers and users of consumer promotions.

62 ***SWEEPSTAKES AT WORK—*** Marketers are finding sweepstakes instrumental in achieving a wider variety of promotional formats and objectives.

68 ***AUDIENCE PARTICIPATION—*** Cable television networks turn to incentives to build audience involvement and advertising revenues.

78 ***WISE BUYS—*** A guide to obtaining satisfactory results from negotiations with premium suppliers.

85 ***TRAVEL CLOSE-UP: MEXICO—*** Attractive climate, exchange rates and hotels can make for successful incentives.

90 ***DESTINATION: NEW YORK—*** Local incentive travel experts offer timely tips on bringing groups to the Big Apple.

94 ***COUNTER ATTACKS—*** Employee motivation in the fast-food industry spreads to young hourly counter workers.

100 ***A SAFE BET—*** Safety award programs can realize substantial cost savings if structured properly.

104 ***1985 REGGIE AWARDS—*** PMAA honors 10 promotion sponsors.

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FACTS
UPDATE

Consumer Promotion

Survey respondents indicate that 1985 consumer premium outlays are up 15.5 percent.

After some tentative tests of strength in 1984, consumer promotion marketers have become more aggressive. Although the consumer field had a healthy comeback last year in the post-recession build-up, it lagged a bit behind the pace of trade incentives. This trend may be shifting in 1985, according to **Incentive Marketing's** just-completed special survey of consumer premium users.

Last year's estimate of consumer incentive expenditures showed an 11.5-percent dollar growth for the year, a welcome change from years of stagnation. But the forecast still looked fairly gloomy in comparison with a 16.6-percent increase in spending for trade promotion.

The marketers responding to the latest survey show their consumer premium outlays are up about 15.5 percent over 1984, while early indications are that trade spending may cool a little.

All six product promotion premium techniques are running well ahead of their solid 1984 growth rates, acccording to the preliminary findings in this initial survey. Last year's overall estimate of consumer incentive activity showed a uniform across-the-board expansion, with mail-in promotions up 11.5 percent, direct premiums up 11.2 percent and retail promotions 11.6 percent ahead of the previous year. The total consumer promotion expenditure was almost $5.7 billion, about $585 million more than the sponsors spent in 1983.

Within the mail-in group, there was some variation in growth rates. Sweepstakes and contests ran ahead at 12.9 percent; self-liquidators were up by 11.7 percent and free mail-ins 10.6 percent. For other premium types, direct premiums led with a 13.2-percent increase, while factory-packs added 9.4 percent, and coupon plan users spent an extra 9.1 percent over the previous year's budgets.

Dealer incentives gained a bit more than consumer offers in 1984 (12.2 percent), but sales incentives, up 19.9 percent, posted the real standout performance. Early evidence indicates that both trade categories will expand well, though not matching last year's pace, during 1985. (A dealer incentive survey comparable with this one on consumer usage, reported in **IM**'s April issue, showed the selected group of users spending 10.2-percent more in 1985.)

In comparison, consumer premium users in the current survey anticipate spending 17.2-percent more for mail-in promotions in 1985 than last year, and about 13.7-percent more on direct premium types.

Free mail-in offers figure prominently in these marketers' plans, with a projected total expenditure 23.1-percent above last year's. This growth would bring the free offers' dollar volume to a level equal to about 47 percent of what advertisers are spending for self-liquidators this year. In 1980, free mail-in volume equated to 42.5 percent of self-liquidator activity.

Sweepstakes and contests show a clearly upward trend, with these users forecasting 1985 spending 19.2-percent above their 1984 rate—which was up 12.9 percent from 1983.

Meanwhile, self-liquidators certainly have not remained dormant. The category passed the billion-dollar mark for the first time last year ($1.04 billion) with an 11.7-percent increase. Users of the method in this survey say they're now spending at a rate 14.2-percent higher than in 1984.

The special IM survey on consumer promotion concentrates largely on users' practices and experience with specific techniques. Questionnaires mailed to a cross-section of consumer premium users brought reponses from 184 companies. Of these, 116 gave specific budget figures for both years: 1984 actual expenditures and 1985 estimates. It is this latter group that provides the comparison of expenditures used.

Although this user sampling is not precisely balanced along industry lines, the distribution is roughly parallel to the 1984 report. It does not suggest any major shift of usage among the industries.

The top 10 user industries reflect little change from last year's rankings.

The top 10 user industries in 1984 (see chart below) changed only slightly from the year before. The first five were unchanged; beyond that, automobiles and trucks moved ahead of electronics, radio and television; petroleum products dropped from eighth place to 10th, supplanted by building materials; office equipment moved up from 11th to ninth, and the ailing farm equipment industry dropped out of the list. Preliminary reports show that this alignment has not changed much.

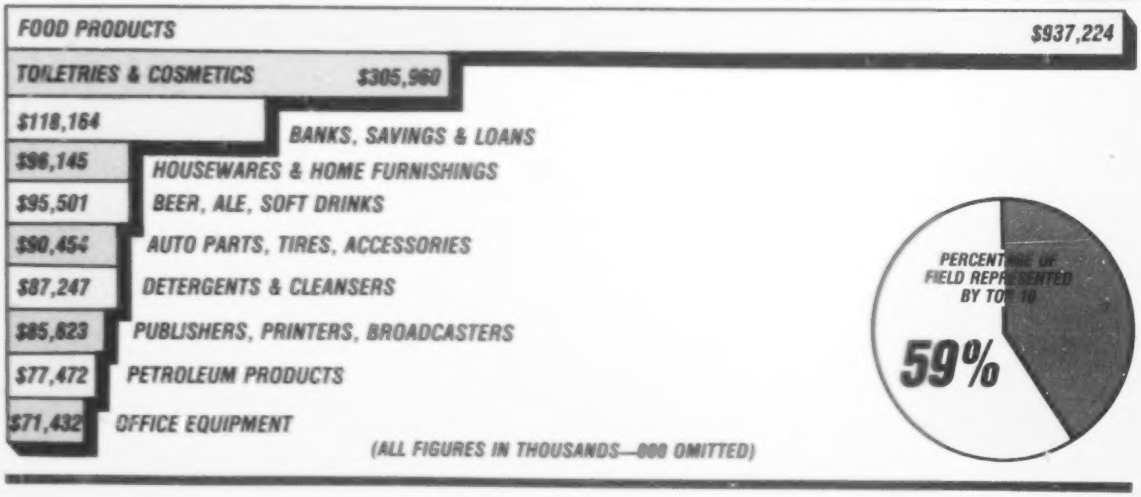
As a group, these companies are conducting more promotions this year than those reporting a year ago—an average of 7.3 mail-in offers versus last year's 4.6. Direct premium users list an average of 6.7, compared with 5.6 in 1984. However, the *median*—and more typical—number in each case is only three; both medians were four in the 1984 survey.

These executives break a promotion in September more often (27 percent) than in any other month of the year. April and March are next in popularity at 22 percent and 21 percent, respectively, while February is the quiet time when only 8-percent launch premium offers. The user calendar follows:

January	**15%**	**July**	**10%**
February	**8%**	**August**	**10%**
March	**21%**	**September**	**27%**
April	**22%**	**October**	**13%**
May	**15%**	**November**	**17%**
June	**16%**	**December**	**12%**

Measuring the effects of a consumer premium offer can be much more difficult than evaluating a sales or

TOP 10 CONSUMER PREMIUM USERS (1984)



(ALL FIGURES IN THOUSANDS—000 OMITTED)

ADVERTISING RESPONSE RATES

RESPONSES PER THOUSAND ADVERTISING EXPOSURES - MEDIAN

	PRINT	BROADCAST	PACKAGE	DISPLAY
Self-Liquidator Under $10	10	8	11	9
Self-Liquidator $10 or More	5	6	6	5
Free Mail-In Offer	15	10	16	10

(Range of Reports From 1 per thousand to 200 per thousand)

dealer incentive campaign, especially when the marketer goes through at least one intermediary on the way to the ultimate customer. Factory sales can be gauged better, but many respondents won't even guess at retail sales. Among those who do attempt to measure retail sales results, there is good news for 1984 and, so far, for 1985. After several years of hovering around the mid- and upper-teen level, their sales gain estimates in the two most recent surveys average in the 20-percent range: 20.8 percent and 20.4 percent, respectively. The components of the average, however, are quite diverse, depending upon the nature of each user's product and market, so that reports range from 3-percent to 100-percent increases in product movement at the store level.

Point-of-purchase advertising is a major influence on those retail sales. Displays promote premium offers, while premiums help attract attention to display materials. The surveyed executives said they expect an average of 58 percent of retailers to use their product displays in a non-promotion period.

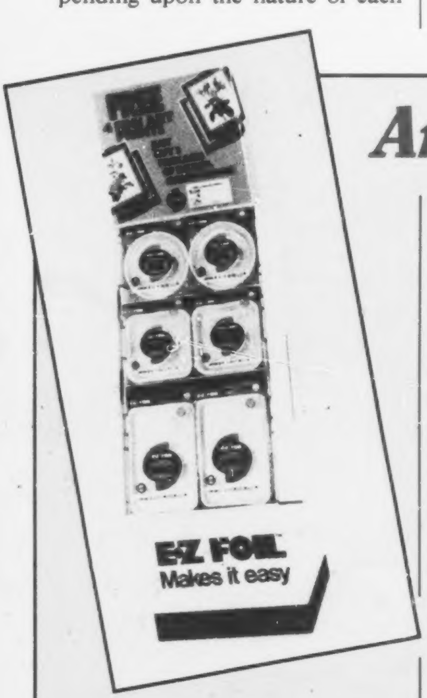
The incentive's job is to push total participation upward, and they do so, according to the survey, by an average of 44-percent more displays used. This is an improvement from the 38-percent estimate of 1984.

Point-of-purchase display support ranks high among all media used by these firms to promote premium offers. It is listed as a medium most often used by 46 percent; only direct mail beats it, at 53 percent. A close third is daily newspapers, utilized by 44 percent.

On the average, these executives favor 2.3 types of media each, up from the 1.8 advertising vehicle average in last year's survey. After the three front-runners mentioned, other media rankings include TV and radio, 28 percent; consumer magazines, trade publications and Sunday newspaper supplements, 13 percent each; on-package adverstising, 8 percent, and premium package bounce-back offers, 6 percent.

Emphasis on point-of-purchase displays as a medium can be a problem if a company relies almost entirely on it and, by the nature of the market, can use only a limited quantity. "Efficient use and evaluation of displays" is the challenge to a distiller who offers several $10 to $20 self-liqui-

Artfully done



WHEELING, Ill.—Marketers commonly use consumer promotions to draw consumer attention to product displays, as evidenced by a recent offer sponsored by EZ POR Corporation, maker of EZ FOIL aluminum cookware, which offered consumers four free art prints with purchase of two packages of EZ FOIL baking pans.

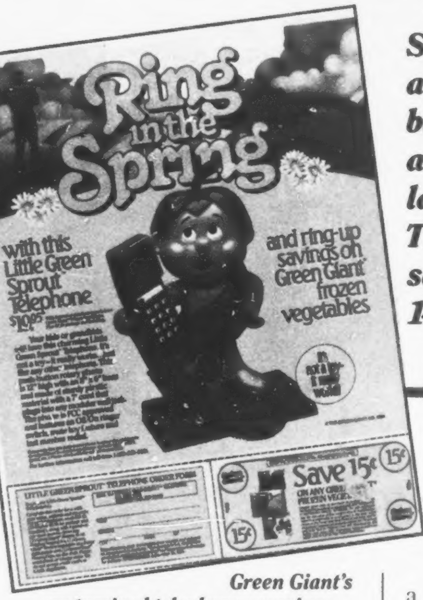
The $10 retail value floral prints were selected because of their popularity in previous promotions, according to Peggy Fagan, advertising and sales promotion manager.

"Our objective was to get more customers to stop by our display, particularly new customers," said Ms. Fagan.

EZ POR supplied in-store shelf display materials, tear pads and ad slicks to help retailers promote the offer. The promotion was designed to take advantage of the increased baking activities that surround Easter and Passover.

In another spring promotion, EZ POR offered consumers the chance to win a $10,000 "dream kitchen" refurbishment in return for two UPC codes from EZ FOIL packages, one of which had to be a roaster. Lower level prizes included a Whirlpool Top Mount Frost-Free Refrigerator/Freezer and two Magic Chef Deluxe Microwave Ovens.

Chicago-based advertising agency Albert J. Rosenthal & Company aided EZ POR with program planning. ■


Ring in the Spring
with this Little Green Sprout Telephone
$10.95
and ring-up savings on Green Giant frozen vegetables
Save 15¢
15¢
15¢

Green Giant's customized telephone premium carried an attractive price—and a hefty postage and handling charge.

Self-liquidators, which accounted for $1.04 billion in 1984 volume, attracted 31 percent of last year's allocations. This year, marketers say they're spending 14.2 percent more.

dators a year through store displays with little other ad support. "The quantities we produce," he points out, "are limited—usually around 5,000 displays. There probably are well over 100,000 package stores; some would be lucky to sell one bottle of our product in a week, while others can sell 100 cases or more. Sales or program effect are related to where the displays ultimately go, and we have difficulty dictating that because of the three-tiered distribution system.

"With a three-to-four-week program duration, we do a lot on professional experience. Hard data could cost more than several programs and perhaps not apply to the many types we do in a year." In the right outlets, the firm's liquor sales usually double during a promotion period.

Self-liquidators are rated among the best promotion types for getting displays used in stores. They were judged the best by 21 percent in this survey, second only to direct premiums—favored by 31 percent.

After some years of rising average self-liquidator prices to consumers, this survey shows the level receding slightly. A similar group of executives a year ago listed asking prices averaging slightly over $9, with a median of $6. This year's survey finds the average at $8.55 and median at $5. At the reported prices, the users confirm that "liquidation" is a relative concept; they recover an average of 93 percent of their premium costs. Some expect to recoup considerably less, while others aim for more than 100 percent, presumably hoping to recover a portion of supporting advertising costs as well.

Going directly to the source

NORTHLAKE, Ill.—Most consumer promotion sponsors consult their incentive houses or sales promotion agencies for incentive product selection. But Dominick's Finer Foods, a chain of Chicago-area grocery stores, went halfway around the world to develop a unique premium of its own for a 1983 promotion.

Dominick's began planning its "China from China" promotion two years before the program broke. "We wanted to achieve a promotion that would be something really new, and we needed a quality item impossible to duplicate elsewhere, attractively priced," said Larry Nauman, vice president, advertising.

"One finds in the grocery business that when margins are low the grocer tries to go to the source of his supply to avoid the middleman," Mr. Nauman continued. "In 1981, China had just opened up exports to the United States. We went to the source for rock-bottom prices on real china."

Dominick's executives traveled to China, aided by an interpreter, and "put three businesses into business" to manufacture the china.

Dominick's originally planned to buy enough china for a continuity program for its 69 stores and for its Cleveland-based parent company Fisher Foods' continuity offer. The program was so successful, however, that Dominick's extended it 10 weeks past the planned six months and ran out of china before Fisher Foods ever saw any.

Consumers acquired the china by collecting 39 Dominick's stamps, each of which cost 59 cents with a $5 purchase, redeemable for a 30-piece service for six.

Dominick's runs continuity programs only once every couple of years, so the stamps were redeemable only for the china.

Dominick's spent between a quarter-million and a half-million dollars promoting the program through radio, television and newspaper ads produced in-house. ■

—Steven Gofman

CONSUMER PROMOTIONS

Promotion sponsors should be careful to match their premium techniques and products to achieve their marketing objectives.

There is a joker of sorts in the seeming decline of average liquidating prices: there has been an increase in the number of users who require an additional amount to cover "postage and handling."

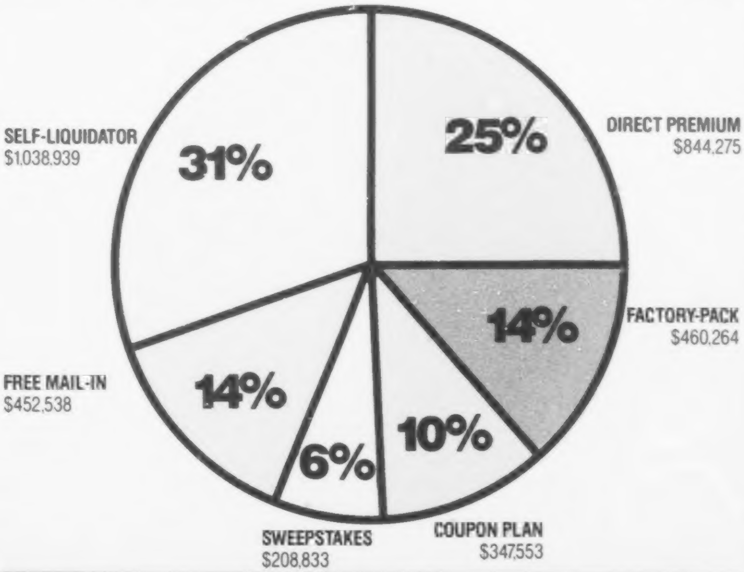
The survey question on recovery of costs referred to "total cost (premium, handling and mailing)." This, however, becomes ambiguous in the next question, in which almost half the marketers say they "state postage and handling as a separate charge to the consumer." This practice has grown rapidly. A few years ago, only 15 percent to 20 percent of self-liquidators carried such extra charges. In an IM survey of consumer promotion users in the dominant food industry in 1983, only 25 percent said they charge delivery costs separately. In last year's all-industry study, however, this had grown to 44 percent, and 47 percent of respondents to the latest survey said they issue such charges.

There is possible controversy here, as a promoter's desire to offer a good perceived value may stray toward deceptive advertising. Two ads appearing a few pages apart in a recent Sunday freestanding insert illustrate the potential problem. A Green Giant offer features a Little Green Sprout telephone for $19.95, "plus $2.50 postage and handling." It may be arguable whether the 12.5-percent surcharge in small type is more effective than a fully liquidating price of $22.45 would be.

The second ad draws the line more sharply. 7UP offers its familiar upside-down Uncola glasses: two for "only $2.00" with an asterisk. The asterisk in the bold type leads to the much smaller note. "Plus $1.60 shipping and handling." The consumer might be justified in asking whether an 80-percent surcharge for postage and handling makes this a reasonable statement of the offer.

1984 CONSUMER PREMIUM USAGE

ESTIMATED EXPENDITURES FOR 6 PRINCIPAL TYPES *(000 OMITTED)*



Although the trend toward higher self-liquidating prices may have slowed, the executives in this survey clearly raised the price threshold above which they believe response is likely to drop. In a 1982 study, the average point was $11.35. By 1984, the survey showed the average respondent believed response would decline above a $17.85 price level. In the current reports, the estimates average $35.14. Only 2 percent of the liquidating prices mentioned by these marketers exceeded that point; 11 percent were above the previous average high point of $17.85.

In free mail-in offers, the percentage of consumer expenditures represented by the cost of the premium has declined substantially, but so has the number of proofs-of-purchase required. A year ago, surveyed users said unit cost of the premium equaled 20.5 percent of the amount of retail purchases required to earn the item; the 1985 survey finds this reduced to an average of 11.9 percent. It was not many years ago that relatively high numbers of proofs-of-purchase were required, and many free offers took on the appearance of short-term coupon plans. By 1984 the average number of required proofs dropped to 2.7. This year it has declined further, to 1.6.

With another form of free offer, the factory-pack type of direct premium, an opposite shift has occurred in respondents' reports. Last year they said the cost of the on-pack, in-pack or container premium averaged 10.9 percent of the purchase price of the accompanying product. In the latest survey, that average has risen to 12.5 per-

Direct premium use continues to grow as marketers respond to consumer demand for immediate gratification.

cent of the retail price.

Another retail figure is important to many advertisers: the retail value of the premium offered. Although advertising of retail values has declined in recent years, a majority of 56 percent still prefers to state a retail value when possible.

In selecting consumer premiums, many marketers consider possible thematic tie-ins with the products they sell, and whether to use custom-designed items. In both cases, the question gets an affirmative vote by a majority of this year's survey respondents, a turnaround from a year ago when most did not consider either factor essential.

Now 52 percent say they "usually prefer" their consumer incentives to be related in use to the products with which they are offered—compared with 41 percent who wanted such a tie-in a year ago. And, while last year only 36 percent were inclined to demand custom designs, 55 percent of this year's respondents favor them.

A key part of the selection process for many executives is testing the premium before going to full-scale promotion. In this survey, 52 percent usually conduct tests, a shade below the 58 percent of respondents who tested last year. They indicate, on the average, that their tests provide a forecast of quantity requirements within plus or minus 17 percent, a much more accurate result than the plus or minus 28 percent found in the 1984 study. Most—55 percent—say they are satisfied with that degree of accuracy.

Testing every premium may be impractical, however. A Midwestern food wholesaler who runs about eight mail-in promotions and 10 direct premium offers annually notes that, while he conducts some testing and gets better-than-average accuracy, "We work mostly by the seat of our pants and plenty of hard experience. So far we are winning big. We have had some disappointments, but they didn't hurt too badly."

Lead time is another deterrent to testing in some cases. A California distributor who conducts many in-store promotions each year laments that "the lead time involved in getting new premium items to test is a major problem. Many times it takes 90 days to 120 days to test the product."

For those who do test premiums, personal interviews continue as the favorite technique, chosen by 53 percent. The closest competition comes from mail questionnaires or ballots and from bounce-back offers mailed with premiums in previous offers; both are used by 13 percent of the companies.

Selection ends with an order—and deciding where to place it. Buying direct from manufacturers is the preferred route for 41 percent of these executives. A close second, at 30 percent, is the incentive manufacturer's representative. The other choices are premium jobbers or wholesalers (14 percent) and advertising specialty distributors (12 percent). In only 3 percent of cases does an advertising or sales promotion agency figure significantly.

Whatever the source, there are always some gripes about the supplier's handling of premium sales. A common one was summed up succinctly by a manufacturer of prefabricated buildings. The problem, he said, is "suppliers not living up to promises, or even living up to good service." An industrial chemicals firm is disturbed about "response to demand . . . our last one was so great we ran out and it took over six months full-time to do everything."

CONSUMER PREMIUMS: WHAT THEY CAN DO

(% OF USERS IN 1985 SURVEY WHO CONSIDER EACH TECHNIQUE MOST EFFECTIVE FOR REACHING EACH GOAL)

GET SHELF ATTENTION	THE BEST:	FACTORY-PACK	32%
		FREE MAIL-IN	17
	THE WORST:	SWEEPSTAKES	11
SELL-IN TO DEALERS	THE BEST:	DIRECT PREMIUM	36%
		FACTORY-PACK	18
	THE WORST:	COUPON PLAN	12
BOOST REPEAT SALES	THE BEST:	DIRECT PREMIUM	24%
		COUPON PLAN	20
	THE WORST:	SWEEPSTAKES	8
SALES TALKING POINT	THE BEST:	DIRECT PREMIUM	31%
		FACTORY-PACK	20
	THE WORST:	FREE-MAIL-IN	11
BUILD USER GOOD WILL	THE BEST:	DIRECT PREMIUM	24%
		SELF-LIQUIDATOR	19
	THE WORST:	FACTORY-PACK	8
GAIN AD READERSHIP	THE BEST:	SWEEPSTAKES	34%
		FREE MAIL-IN	26
	THE WORST:	FACTORY-PACK	5
OBTAIN STORE DISPLAYS	THE BEST:	DIRECT PREMIUM	31%
		SELF-LIQUIDATOR	21
	THE WORST:	COUPON PLAN	8
SAMPLE NEW USERS	THE BEST:	FREE MAIL-IN	38%
		SELF-LIQUIDATOR	19
	THE WORST:	COUPON PLAN	7
COST-EFFECTIVENESS	THE BEST:	SELF-LIQUIDATOR	42%
		SWEEPSTAKES	14
	THE WORST:	COUPON PLAN	10

CONTINUED ON PAGE 59

CONTINUED FROM PAGE 52

A New York banker has a more basic complaint, beginning at the first contact. "I attend trade shows, order items for planning a program and never hear from half the vendors I meet at the shows. I explain how the products will be used, offer to pay for the samples, but the salespeople at these shows seem to have another purpose for being there. Thus planning, photographing, etc., become impossible; we wind up resorting to old standbys."

In fulfilling consumers' premium orders, 56 percent of these users process entirely in-house; the second-largest group, 26 percent, prefers to have a fulfillment house handle the entire transaction. Processing in-house to label stage, with a fulfillment house mailing the premiums, is the choice of 12 percent, and only 6 percent rely on suppliers for drop-shipment of premiums.

Selection, purchase and fulfillment of a consumer premium are all vital steps in the promotion cycle. But they grow out of a more basic decision: What type of promotion will best perform the job at hand?

The jobs for consumer premiums fall into eight slots, as represented in the table on page 52, plus a ninth measure: overall cost-effectiveness.

The **IM** surveys ask users to rate the six principal consumer incentive techniques for greatest effectiveness in reaching each goal. This year's reports show that the respondents' judgments agree with those in the 1984 survey, with just three exceptions.

All three exceptions suggest a greater confidence in direct premiums. They have displaced free mail-ins as a winning choice for boosting repeat sales and customer good will and have edged out factory-packs for obtaining store displays.

As usual, the self-liquidator, judged second-best in three of the objectives, is the runaway favorite for overall cost-effectiveness, nominated by 42 percent of these executives. Sweepstakes, which otherwise shine only in gaining ad readership, run a distant second for cost-effectiveness, in the opinion of these marketers, with 14 percent giving the medium top billing.

These choices emphasize the importance of the first-step decision, pairing a promotion technique properly with the goal. If you want to improve shelf attention, these executives say, use a factory-pack, but don't even think of it for getting your ads read. And, while people will sit up and take notice of your advertising of a sweepstakes, forget it as a means to help repeat sales.

To balance such generalities, however, one must be aware of exceptions. After all, the biggest winners in these choices don't get a majority vote in any case.

Sometimes by following the rules, other times by bending them to a special need, these users are making consumer premiums work most effectively, and a large majority (61 percent) are spending more money to do it this year. ■

Boosting catalog orders

NEW YORK—Because of the high cost of catalog mailings, companies that sell their products through direct mail need to find ways not only to single out qualified recipients but also to encourage customers to increase their purchase size. Several catalog users have discovered the power of added-value offers to achieve these objectives.

Spiegel, the huge Chicago-based catalog outfit, now charges $6 for its catalogs but includes in the price a Pierre Cardin tote bag, manufactured by Henry Rosenfeld Inc., Secaucus, N.J., to soften the blow. Spiegel customers can take $3 off their first Spiegel purchase to recoup the cost of the catalog so that they can take home the tote bag, a $20 retail value, for only $3.

According to David Katz, president of Henry Rosenfeld Inc., who acted as spokesperson for Spiegel, the catalog company will give away more than one million tote bags in the current promotion. He said the company chose the Pierre Cardin model to appeal to the upscale type of consumer it is trying to attract. He added that the $3 paid for the tote does not fully liquidate its cost but Spiegel is willing to pay to acquire more qualified buyers. Another factor in the decision to select a tote bag was the desire to offer a unisex gift, even though women represent the lion's share of Spiegel customers.

To encourage catalog customers to increase their purchases, many companies now offer gifts or discounted items along with select purchases. Avon Products Inc., New York, for instance, offers earrings, bracelets and neck chains valued between $9 and $11 to customers who select from a variety of jewelry items featured in a recent cosmetics catalog.

According to Jo-Anne Jaeger, vice president of communications for Avon, the company has used gift-with-purchase programs for years with good results. The company usually selects products which relate to its line, with cosmetic bags and organizers frequent options. Ms. Jaeger said that most items are offered free but are self-liquidating in that they go only to customers who make minimum purchases. ■

—Bruce Bolger

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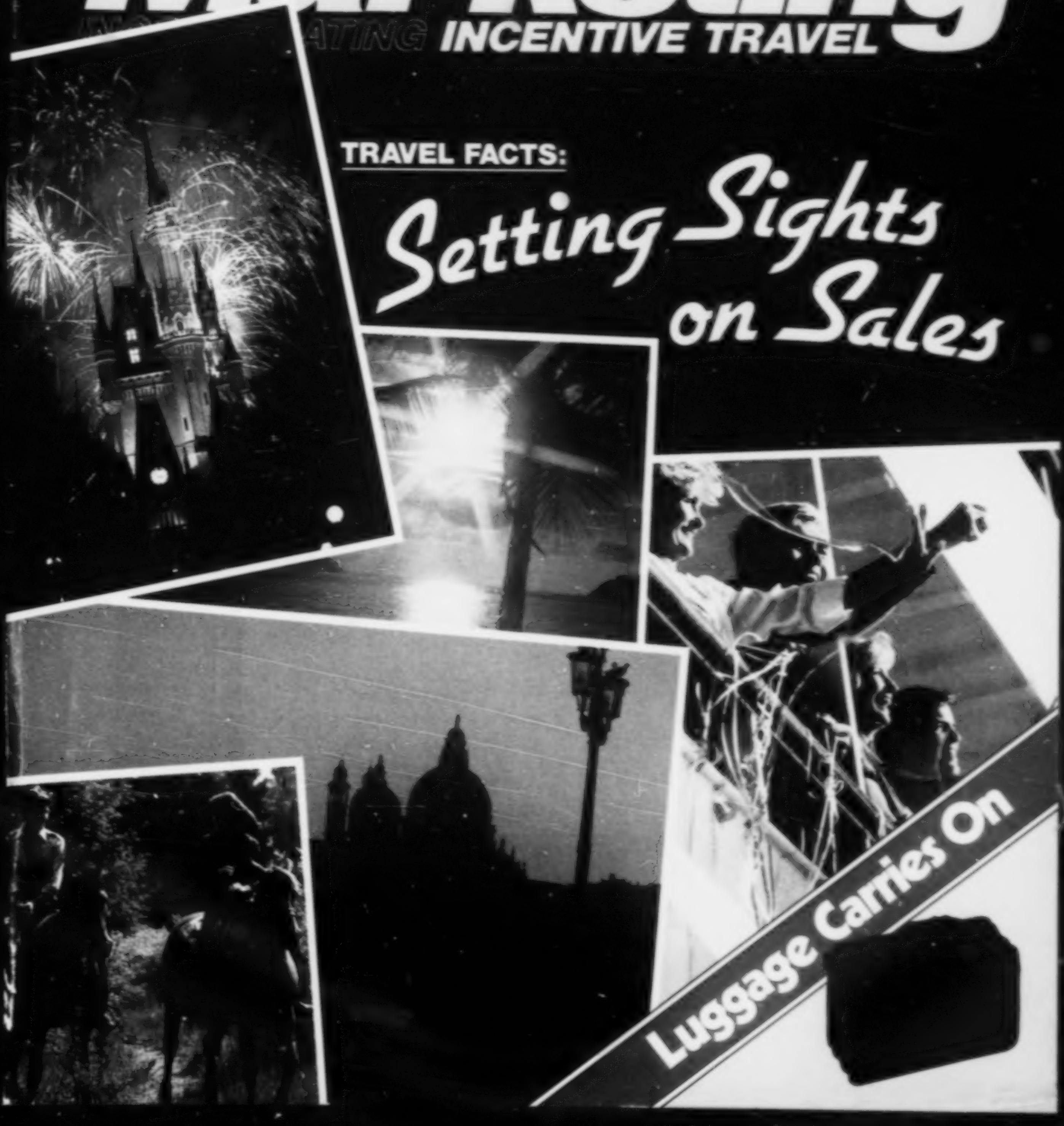
INSIDE: Truck Stops · Gambling Trips · Show Schedule

JULY 1985

Incentive Marketing

ATING INCENTIVE TRAVEL



TRAVEL FACTS:

Setting Sights on Sales

Luggage Carries On

INCENTIVE M ETING

MARKET REPORT:
Radio Activity

July 1985

Is gambling a gamble for your group? IM looks at how planners incorporate casino gambling into their incentive programs. See page 51.

Viewpoint 8
The Marketplace 22
Inside Promotions 78
Hotels 81
Manufacturers 82
Service Companies 83
Rep Firms 84
Associations 84
Personnel 84
Calendar 88
Advertisers' Index 88
IM Action Card 89

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10 ***IN THE NEWS—***
Throughout the spring and summer season, baseball scores as an enduring promotional theme . . . Reagan tax plan draws fire from travel industry . . . Travel promoter sees growth in insurance motivation plans . . . Groups can still use Britain, despite the crowds of vacationers . . . Armour-Dial gets stung on premium import.

20 ***SHOW NEWS—***
Complete schedule for the World Congress Seminar and Exposition on Meeting Management and Incentive Travel.

28 ***SETTING SIGHTS ON SALES—***
The annual FACTS survey on incentive travel examines the business objectives behind this fast-growing segment of the motivation field.

44 ***TRAVEL PLANNING—***
A step-by-step guide to the basics of planning a motivational travel campaign.

51 ***IN THE CHIPS—***
This travel close-up takes a look at gambling and how groups can incorporate the popular activity into a productive travel program.

62 ***WEEKEND GETAWAYS—***
While group travel continues to reign, the weekend package permits companies to offer top performers a refreshing break.

66 ***CHINA—***
This exciting destination is no longer only for the rugged: new hotels and services make group travel both feasible and affordable.

69 ***LUGGAGE CARRIES ON—***
Here's a merchandise category that fits perfectly into travel campaigns. IM looks at trends in styling and offers some tips on buying.

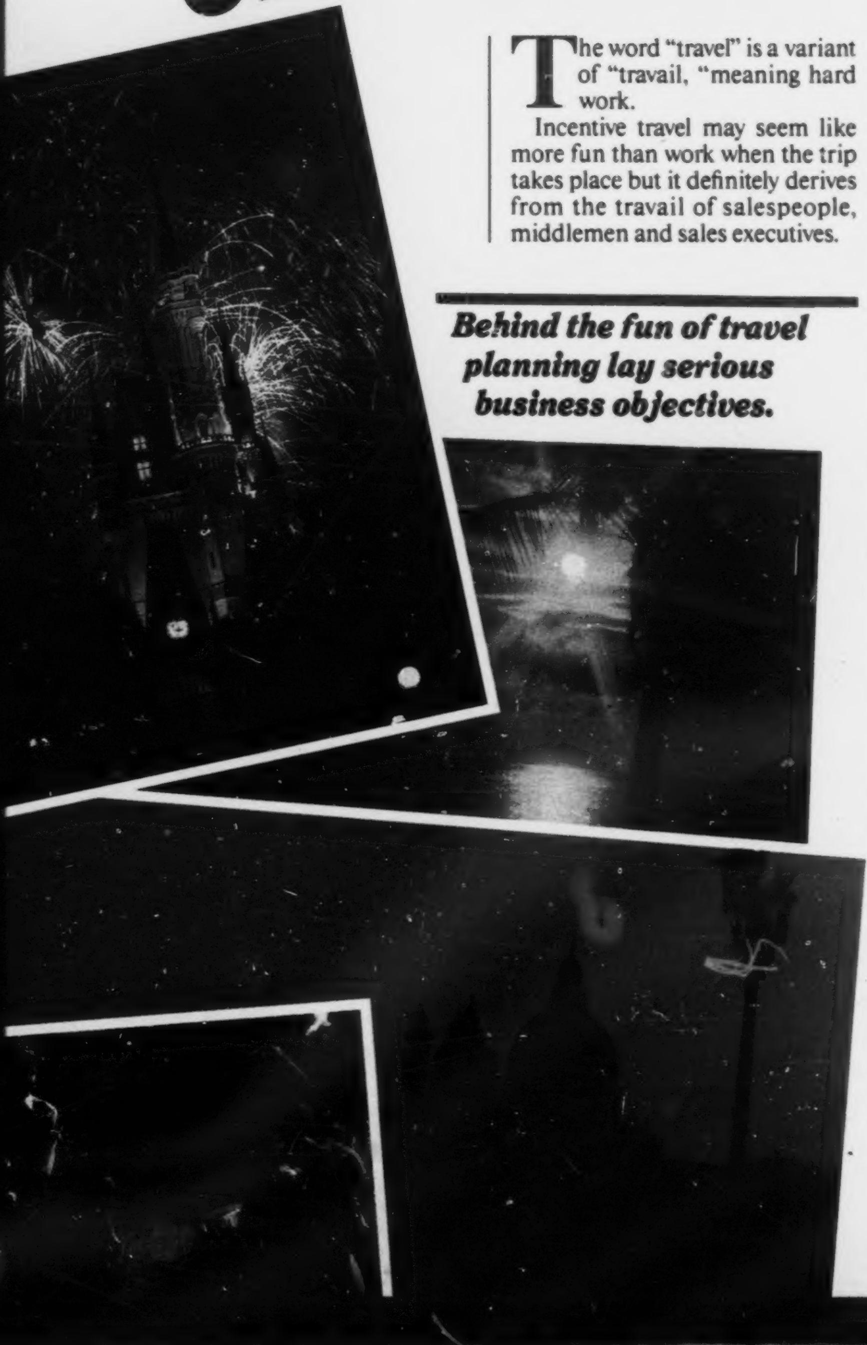
72 ***RADIO ACTIVITY—***
This month's market report focuses on advertiser promotions in the radio broadcasting industry.

76 ***FUELING TRUCKER LOYALTY—***
Truckers have their own frequent traveler program: trading stamps.

Bill publications and divisions: Incentive Marketing, Industrial Chemical News, Institutional Distribution, Jobber Retailer, Modern Tire Dealer, Plastics Technology, Restaurant Business, Restaurant & Hotel Design, Sales & Marketing Management, Successful Meetings, Foodservice Research Center, Market Statistics, Sales Builders, SM Data Bank.

WORLD TRAVEL SURVEY

Setting Sights on Sales



The word "travel" is a variant of "travail, "meaning hard work.

Incentive travel may seem like more fun than work when the trip takes place but it definitely derives from the travail of salespeople, middlemen and sales executives.

Behind the fun of travel planning lay serious business objectives.

And it pays off handsomely—more so each year—for everyone. **Incentive Marketing's** latest survey of incentive travel users clearly supports this trend and also shows that use of this motivational device continues to climb at a pace similar to that of 1984, when marketers spent an estimated $1.4 billion to send their best people to faraway places, 17.5–percent more than they paid for winners' trips the year before.

More than two-thirds of the users reported they are increasing their incentive travel budgets this year: 68 percent for sales force programs and 67 percent for dealer campaigns; only 11 percent in each case are cutting back this year.

This survey is based on responses from 252 companies, of which 213 gave estimates of their expenditures for both 1984 and 1985. About 93 percent of them use travel for salespeople, more than in previous studies, and 47 percent conduct dealer trip promotions. The excess over 100 percent represents users who target both groups.

Sales incentive users show the highest level of activity, with reports increasing this year by 23.9 percent over 1984. On the dealer side, respondent firms report they are spending 11.1–percent more this year. Overall, the expenditures of this limited group are increasing this year by 17.3 percent, virtually the same as the buildup in 1984 over the previous year.

TOP 10 INCENTIVE TRAVEL USERS: 1984

INSURANCE	$193,243,000	+19.6%
ELECTRONICS, RADIO & TV	$137,553,000	+16.4%
AUTO PARTS, TIRES, ACCESSORIES	$135,437,000	+23.4%
AUTOMOBILES & TRUCKS	$122,125,000	+22.8%
FARM EQUIPMENT	$ 86,512,000	+12.5%
HEATING & AIR CONDITIONING	$ 81,231,000	+15.1%
OFFICE EQUIPMENT	$ 64,950,000	+19.1%
ELECTRIC APPLIANCES	$ 51,389,000	+14.3%
TOILETRIES & COSMETICS	$ 41,230,000	+19.1%
BUILDING MATERIALS	$ 40,146,000	+ 6.6%

After a couple of years in which the travel field shared the fate of the entire incentive business, just barely keeping up with inflation in the dollar growth reported, 1984 brought a sharp upturn.

Sales force travel incentive programs again outstripped the dealer category last year, gaining 21.3 percent while dealer programs moved up 13.8 percent. As the economy turned around, many marketers applied the major effort to the first line of distribution, the sales organization, to get their share of the new business.

This year, with the economy cooling off, many clearly continue to believe that the sales force can do the most good in maintaining market positions. Sales forces were primary targets of all types of incentive programs last year. Although surveys that will show final results for 1985 have not been completed, it seems likely that merchandise programs also will continue to advance more on the sales force side than in dealer campaigns. When selling becomes difficult, many executives turn to salespeople for solutions.

Even in a fairly flat economy, travel can motivate effectively. However, during the worst recession years, travel programs—many of them lasting six months or a year—often cannot generate and sustain sales growth.

In 1984, incentive spending picked up and sales followed suit, particularly in sales force campaigns. Most of the principal user industries hiked travel expenditures. The top 10 incentive travel buying industries remained the same except for a small change in the bottom two positions, where toiletries and cosmetics moved ahead of the depressed building materials field. These top 10 user industries (see adjacent table) accounted for 67 percent of all travel expenditures last year, the largest concentration of activity among a leading group in the entire incentive field.

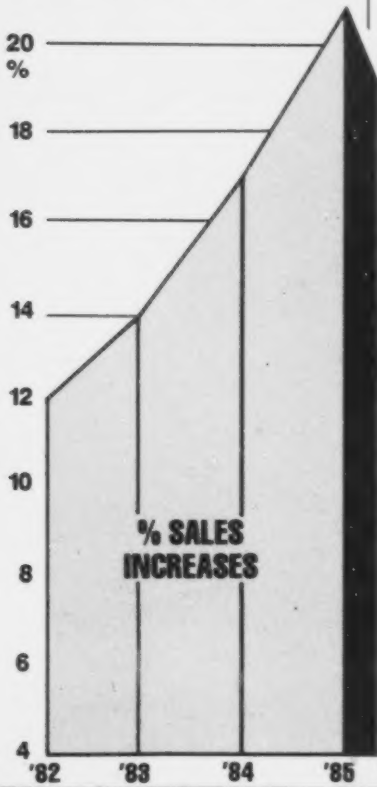
Five of the top users' budget increases were well above the overall average of 17.5 percent, with expansion at rates from 19.1 percent to 23.4 percent. Only the building materials category dragged its feet significantly, boosting travel spending only 6.6 percent. The biggest travel user of all, insurance, jumped an estimated 19.6 percent last year, adding over $32 million to its promotional travel tab.

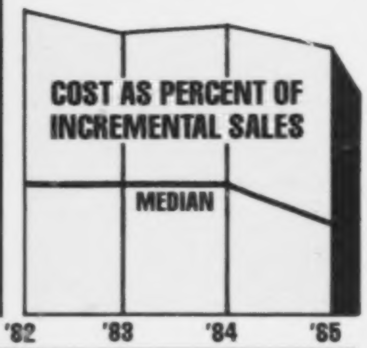
The year 1984 also was the first to see sales incentive travel exceed expenditures for dealer programs — by $723 million to $700 million; 10 years earlier, only 41 percent of travel expenditures were aimed at sales forces.

In the latest special survey on incentive travel, users show this same emphasis: a heavy volume and buildup in sales incentive programs. And company sales forces

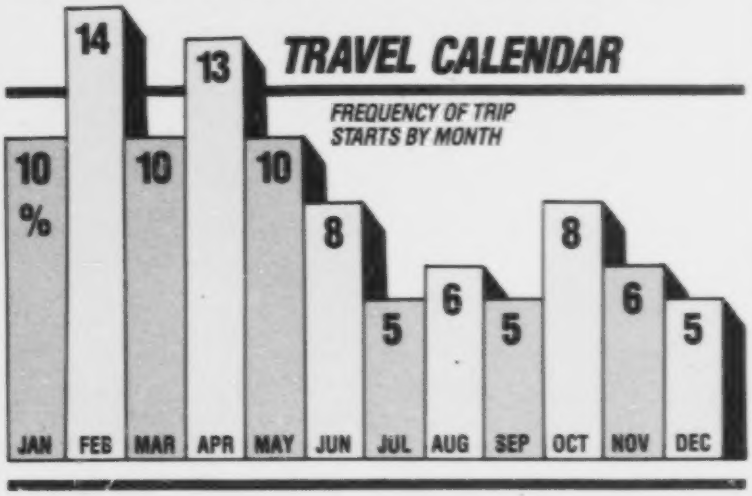
GETTING MORE — WITHOUT PAYING MORE

ALL FIGURES REPRESENT AVERAGES IN IM SURVEYS





were the most-mentioned target, indicated by 78 percent, compared with only 66 percent in a similar study a year ago. Others listed were retail salespeople, 16 percent; distributor sales personnel, 13 percent; direct selling people, 16 percent; and independent sales reps, 22 percent. Retailers were the audience for 31 percent of the users' promotions, and 21 percent aimed them at distributors. Non-selling personnel were offered travel by 12 percent.



Among other findings in this survey:

- **More use merchandise.** For the first time in IM's surveys, a majority of 55 percent say they include merchandise awards in travel campaigns. Just a year ago, only 45 percent gave the same response.
- **Groups are getting larger.** But fewer run them. Only 54 percent of these executives prefer group trips, with the rest favoring individual travel awards. But the groups, after a couple of reports in which their average size had dwindled, are now larger—an average of 148 people, with the median at 75. The average stay is 5.7 nights, and the median 5.
- **Domestic sites continue to gain.** The surveyed executives said they concentrate their entire travel budgets on domestic destinations in 42 percent of cases. Exactly half that number, 21 percent, go exclu-

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Unit costs for trips have risen only 8 percent in 1985, much lower than in past years.

sively to foreign locales. Of the remaining 37 percent who vary their diet, the indicated budget split, on the average, is 59-percent domestic, 41-percent foreign.

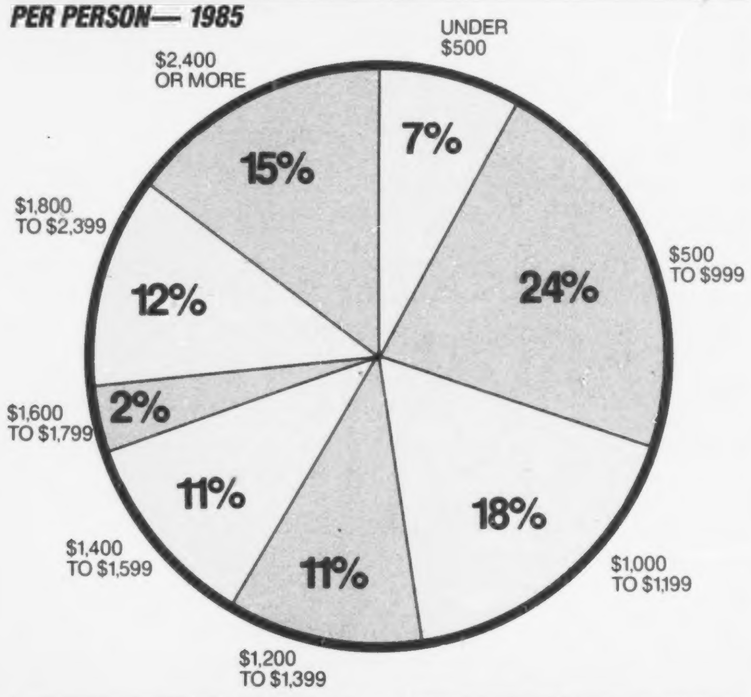
- **Qualification rates are holding.** On the average, 31 percent of those eligible earn trips from these marketers, the same result as in last year's study, but much better than the 24 percent found in 1983.

- **Sales results are best in years.** These companies are experiencing in their most recent programs an average 21-percent growth in sales volume, compared with the 16.7 percent they say they had in their last previous campaigns. (A like group of executives last year averaged 17.7 percent in sales gains.)

- **But results cost less.** The cost of an incentive program in relation to incremental sales had held at a median of 7 percent the past three years, with the averages at 11 percent, 10.5 percent and 10.6 percent, respectively. In this survey, however, the average has taken another dip to 10.1 percent of the extra sales gained during a campaign, and the median has slid to 6 percent.

COST OF INCENTIVE TRIP

PER PERSON— 1985



AVERAGE $1,421
MEDIAN $1,200

PER COUPLE COST
APPROXIMATELY DOUBLE
(92% INCLUDE SPOUSES)

- **Unit costs are up a little.** The actual per-person outlay for an incentive trip has increased among these users by about 8 percent over what their counterparts said in 1984 — to $1,421. But the median, the middle cost paid by the "typical" user within the range, stayed at $1,200. The low-end spenders who can manage a trip costing under $500 per person have dwindled from 10 percent to 7 percent, but more than three out of 10 can still get by for less than $1,000 a head. Yet 27 percent of the executives now spend more than $1,800 per person, compared with 20 percent who went that high last year.

The actual unit cost of an award is usually close to twice the per-person figure, with 92 percent in this survey offering trips including spouses. (They used to be called "wives," now the term spouses is giving way to friends or guests in some cases.)

Whatever the trip cost, it is clear that most users want to pay for the entire trip and include only fully qualified participants. The controversial practice of buy-ins, permitting those who don't quite make the grade to pay for at least a portion of the trip, has been declining in favor. Two years ago, 37 percent of surveyed executives allowed the practice; last year, the total dropped to 32 percent. In this survey, only 24 percent said they permit buy-ins. Where permitted, only 19 percent of the travelers use the option, up slightly from the 15 percent reported a year ago.

Fewer respondents in this survey conduct group trips, as compared with individual awards, as noted above. This trend has caused a reduction in companies' ability to conduct sales meetings on-site. A year ago, 68 percent of survey respondents included meetings, spending an average of 8.2 hours on business in the course of a trip. The present group runs meetings in only 54 percent of cases—but those who do it work just as hard, 8.5 hours per trip.

Incentive travel is a way of life for about one out of three of those surveyed: 33 percent of them have programs that run 52 weeks or longer; some last up to a year and a half. The incidence of year-long campaigns dropped from a year ago, when 41 percent followed the practice, an all-time high.

Planning time now runs about the same as it has in the recent past: 38 weeks, on the average, before the actual start of the trip. Planning time, of course, runs longer for those with year-long programs, to enable them to announce plans more than a year in advance. But the average selling period, despite the one-third of respondents with very long programs, is 29 weeks, about the same as it has been for some time (a year ago it averaged 28 weeks).

With a selling period that long, or up to a full year or more, precise marketing objectives may be subordinated to simply bringing in dollars or moving product units. Niceties of fine-tuned goals are not in the cards if you have to map your strategy a year or a year and a half before kickoff. Thus the objective of increasing overall volume, always important, is especially prevalent among incentive travel users. In this survey, it was selected by 77 percent; a year ago, with somewhat more long-term users, 81 percent cited the objective of volume-building.

With the economy cooling off, many users are focusing on their sales staffs.

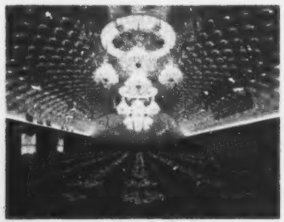
Other goals, of course, can enhance both the promotion and the rules of a campaign, and most users address them to some extent. The runner-up in popularity this year, as usual, is improving morale and good will: 48 percent consider it an important end. Another 38 percent embrace the familiar favorite of introducing new products, common to all types of incentive usage.

Other objectives cited by survey respondents include: move full line or slow items, 24 percent; offset competition, 22 percent; bolster slow season, 17 percent; build dealer traffic, 15 percent; prepare for strong season, 10 percent and support consumer promotion, 10 percent.

Regardless of goals, a key question is where in the world to take top producers? The problem is "selecting destinations," says William Bell,

The place to go for a big welcome in Japan.

Two modern hotels located next to a beautiful, spacious Japanese garden



"Hiten," the main banquet hall

If you're bringing a group to Japan, you'll find a big welcome at the Takanawa Prince and New Takanawa Prince. With special conveniences like our business service rooms you can use to coordinate group activities. And our personal approach to traditional Japanese hospitality.

Whether your group is large or small, you'll find all the facilities you need to make your trip great, including the largest banquet hall in Japan, and a variety of smaller conference rooms.

For quieter moments, your group can enjoy our exquisite Japanese garden, restaurants, and the sights of Tokyo just minutes away by convenient, inexpensive transportation.

Next trip, enjoy the best of Japan, and the best in convenience, where a big welcome is always part of the service.

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New Takanawa PRINCE HOTEL
13-1, Takanawa 3-chome, Minato-ku, Tokyo 108, Japan Phone: 03-442-1111 Telex: 242-7418

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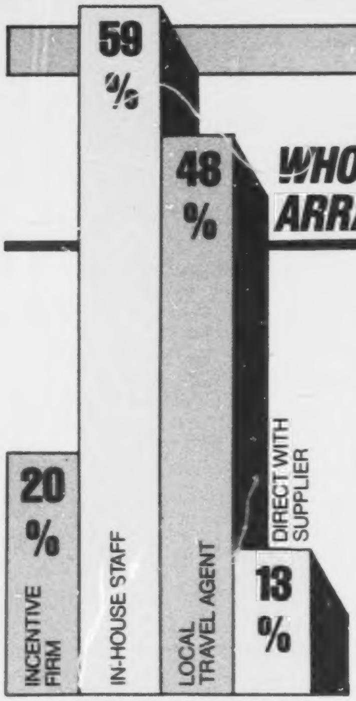
Circle No. 142 on Buyer Action Card

WHO MAKES TRIP ARRANGEMENTS?



(1985 SURVEY REPORT EXCEEDS 100% BECAUSE OF MULTIPLE RESPONSES)

director of marketing at Brennan Industries, a Solon, Ohio, machinery maker. There are "so many marvelous offerings it is difficult to anticipate participants' preferences so that maximum stimulation for the incentive program is realized."

Richard Lauderdale, sales promotion manager of Helene Curtis Industries Inc., Chicago, also finds trouble in "coming up with an exciting enough destination with a budget of $2,000 per person or less that will top the trip our competitors are running. Our distributors are very well-traveled and just coming up with new and enticing destinations" is a major challenge.

There are, of course, thousands of places to go. In the past few years, more programs have used domestic sites than foreign, although leaving the country is still very much in vogue. Florida is the top destination in the present survey, as it was a year ago for the first time—having edged Hawaii as the top U.S. choice. Hawaii is still No. 2 in the United States. Mexico is the top foreign selection.

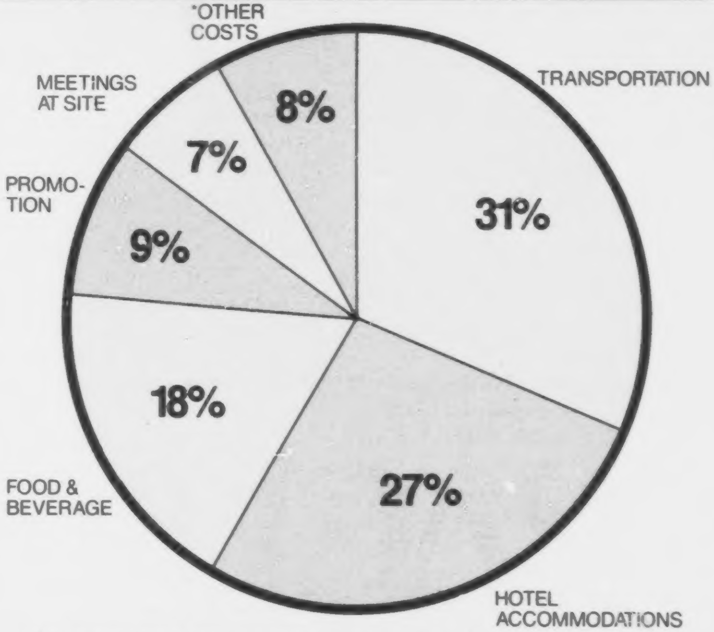
The hundreds of destinations chosen by these survey respondents (thousands if you consider all the variations within each area) represent a very wide range; and the list could be multiplied several times.

But there are problems just in sifting the possibilities. "Finding a variety of hotels large enough to hold our conferences of 400 people year after year without returning to places is very hard, keeping within our budget," says an executive of one of the largest insurance companies. His three-night programs are for salespeople only and involve 15 hours of meetings, mostly in domestic locations. With a seven-figure budget, he should be able to find enough places, but the years eat up the choices.

A smaller insurance company has a bigger problem in trying to obtain "minimal travel cost for the 40 individuals converging on a central site. We usually have to limit our site selections to those where the airlines offer deals—Florida cities, New Orleans and so on."

Crossing national boundaries can be a problem for many executives, but a pharmaceutical executive conducting programs for Asian groups may have a bigger problem. Geoffrey Harding of the Asian division of Baxter-Travenol Laboratories Inc., Deerfield, Ill., runs educational meetings for small groups—10 to 12 people—without spouses. But they run from 10 to 14 nights in length and cost about $5,000 per person. Included are about 25 hours of meeting time. He has used destinations

WHERE THE TRAVEL BUDGET GOES



**INCLUDES GROUND TRANSPORTATION, SIDE TRIPS, TOURS, INSURANCE, ENTERTAINMENT, ETC.*

in Florida, Hawaii, Japan and San Francisco. But in Japan the itinerary is "just typed," without "pre-trip puff." And he has trouble "finding enough out about good restaurants in cities which I can't visit beforehand. We need restaurant review books available to planners." He also has to watch for such details as when guests will arrive or pay for hotel services, "since Japanese still usually don't carry credit cards as security."

The selection of an incentive destination hinges largely on the program budget, and that is where the planning process must begin for most users. In the current survey, 66 percent of the executives report they use a "special budget set in advance." Another 19 percent take the money from regular promotion funds and 15 percent base the budget on a sales forecast for the period. Only 6 percent indicated they budget by "percent of added sales," or open-ended programs.

Yet, in response to another question, 63 percent say their promotions are open-ended and that "all who reach specified goals earn trips," while the remainder of 37 percent say they work from a "predetermined number of winners." The question arises: how can the program be "open-ended" if the budget isn't? The answer, evident from comments by a number of users, is that the campaign is in fact open-ended, and the budget, the users hope, will cover whatever cost is incurred. If the budgeted sums do not provide for all winners, then there is a frantic sharpening of pencils or shuffling of feet in the boss' office.

> ***While the number of respondents who use group trips has declined; the size of the average group has risen.***

The happy part of the answer is that running over budget because of excess winners also means "excess" sales, and most companies can live with that. Thus the budget must be a flexible working tool.

Division of the budget among program cost elements has changed very little in recent years; all costs have tended to rise together. In this year's survey, transportation takes 31 percent of the total average cost, one point lower than a year ago. Promotion also is down a point, from 10 percent to 9 percent. The difference is consumed by food and beverage costs, now 18 percent of the total compared with 16 percent last year. (See chart on page 38.)

In writing incentive campaign

One Ocean, Many Worlds.

Each Pan Pacific Hotel is a distinctive reflection of its local culture – yet all share the same accent on international excellence. No two destinations are the same. When you choose Pan Pacific Hotels, you are selecting the best of many worlds.

Canada	Pan Pacific Vancouver Hotel (January, 1986)
Singapore	Pan Pacific Singapore (March, 1986)
Malaysia	Pan Pacific Kuala Lumpur (November, 1985)
	Pan Pacific Resort Pangkor (December, 1985)
	Pan Pacific Inn Malacca (December, 1985)
	Pan Pacific Bayview (April, 1987)
	Pan Pacific Kuching (late 1987)
	Genting Highlands Resort Penang
Micronesia	Palau Pacific Resort (Koror)
Thailand	Royal Cliff Beach Hotel (Pattaya)
	Indra Regent Hotel (Bangkok)
Indonesia	Sari Pacific Jakarta
Korea	Kyongju Tokyu Hotel
Bangladesh	Sonargaon Hotel (Dhaka)
South Pacific	Hotel Le Lagon (Port Vila, Vanuatu)

800-663-1515 from the U.S./Canada for FIT reservations
800-538-4040 from the U.S. for group sales
The North American sales team can negotiate and contract your group business.

PAN PACIFIC HOTELS
An ocean of hospitality

Circle No. 141 on Buyer Action Card

rules, the most common practice, chosen by 50 percent of the executives, is to set quotas based upon sales forecasts—which, in turn, are reflected in the budget. Another 30 percent start with the budgeted expenditure and work back to set quotas to earn the sales and profits needed; 10 percent say they use other methods, and 10 percent did not answer the question.

There is a weakness in tying awards to a budget, as experienced by a Midwestern food distributor who says, "Our travel incentive budget is very limited. The distinction between our winners and

DESTINATIONS SELECTED

CITIES CITED ONCE NOT INCLUDED.

DOMESTIC -
(371 responses)

- 72 - FLORIDA
  - 6 - Orlando
  - 3 - Marco Island
  - 2 - Amelia Island
  - 2 - Key West
- 66 - HAWAII
  - 3 - Maui
  - 2 - Honolulu
- 58 - CALIFORNIA
  - 13 - Los Angeles
  - 12 - San Francisco
  - 10 - Lake Tahoe
  - 4 - San Diego
  - 3 - Palm Springs
  - 2 - Napa Valley
- 37 - NEVADA
  - 30 - Las Vegas
  - 4 - Reno
- 28 - ARIZONA
  - 11 - Phoenix
  - 3 - Tucson
  - 2 - Scottsdale
- 12 - TEXAS
  - 3 - Dallas
  - 2 - Houston
- 11 - PUERTO RICO
  - 3 - San Juan
- 8 - NEW JERSEY
  - 8 - Atlantic City
- 8 - VIRGIN ISLANDS
  - 6 - St. Thomas
- 7 - NEW YORK
  - 5 - Manhattan
- 7 - MISSOURI
  - 3 - Lake of the Ozarks
  - 3 - St. Louis
- 7 - PENNSYLVANIA
  - 2 - Philadelphia
  - 2 - Poconos
- 5 - TENNESSEE
  - 4 - Nashville
- 5 - VIRGINIA
  - 3 - Hot Springs
  - 2 - Wintergreen
- 4 - ILLINOIS
  - 3 - Chicago
- 4 - SOUTH CAROLINA
  - 3 - Hilton Head
- 3 - COLORADO
- 3 - WASHINGTON
  - 2 - Seattle
- 3 - WISCONSIN
- 2 - GEORGIA
- 2 - MASSACHUSETTS
- 2 - MICHIGAN
- 2 - MINNESOTA
- 2 - MISSISSIPPI
  - 2 - Biloxi
- 2 - NORTH CAROLINA
  - 2 - Myrtle Beach
- 1 - ALABAMA
- 1 - ALASKA
- 1 - CONNECTICUT
- 1 - INDIANA
- 1 - KANSAS
- 1 - KENTUCKY
- 1 - MARYLAND
- 1 - OHIO
- 1 - WASHINGTON, D.C.
- 1 - WYOMING

FOREIGN -
(314 responses)

- **69 - CONTINENTAL EUROPE**
  - 12 - ITALY
    - 9 - Rome
  - 10 - FRANCE
    - 7 - Paris
  - 10 - SPAIN
  - 9 - GERMANY
    - 2 - Munich
  - 9 - SWITZERLAND
  - 3 - HOLLAND
  - 2 - AUSTRIA
  - 2 - GREECE
  - 1 - BELGIUM
  - 1 - DENMARK
  - 1 - MONACO
  - 1 - PORTUGAL
  - 1 - SWEDEN
- 69 - MEXICO
  - 18 - Acapulco
  - 8 - Cancun
  - 5 - Puerto Vallarta
  - 2 - Mexico City
- 49 - BRITISH ISLES
  - 26 - England
    - 18 - London
  - 3 - Scotland
  - 2 - Ireland
- 31 - BAHAMAS
  - 7 - Nassau
  - 2 - Paradise Island
- 24 - CARIBBEAN
  - 10 - Jamaica
  - 4 - St. Maarten
  - 2 - Barbados
- 20 - BERMUDA
- 16 - CANADA
  - 4 - Toronto
  - 3 - Banff
  - 2 - Quebec
- **14 - FAR EAST**
  - 6 - HONG KONG
  - 5 - JAPAN
  - 2 - CHINA
  - 1 - MALAYSIA
  - 1 - SINGAPORE
- **11 - CRUISES**
- **4 - SOUTH AMERICA**
  - 2 - BRAZIL
  - 1 - COLOMBIA
- **4 - AFRICA**
  - 2 - KENYA
- **2 - MIDDLE EAST**
  - 1 - EGYPT
  - 1 - ISRAEL
- **1 - AUSTRALIA**

those who place second, third, fourth and fifth is minimal. I can only send the winners; the problem is the frustration those nonwinners experience—very demoralizing." Only 3 percent of eligibles earn this firm's trips, the most recent of which was a Hawaii event with spouses based on a 52-week sales period.

Michael Beardsley, director of sales for Marsellus Casket Company, Syracuse, N.Y., has an even tougher example of the same problem, with only a single winner earning his trips to such places as the Virgin Islands and Hawaii. One couple goes for a 10-day trip based on eight weeks of sales. Mr. Beardsley is looking for a solution: "So far we've allowed only one winner per program. The front-runners stay in pursuit, but those that trail early often give up. We will be considering a change in format for next year's travel programs."

That kind of program eliminates a major difficulty some users face: how many people are going on the trip? A Minneapolis food wholesaler cites this problem. He generally takes up to 60 percent of eligible people on his trips to places like Florida, Texas and California, but has trouble adjusting his budget because of late qualification by some of them. A Midwestern manufacturer notes "the high cost of any changes made in a program. It seems the hotels really put it to you if you add anything to a program."

More companies have increased use of merchandise in their travel programs.

Complaints of supplier handling are always a common element in the survey. "We almost always make our own arrangements for travel awards," notes Larry Smith, sales manager of Star Wood Finishing Products, Hinsdale, Ill., "because of the poor I-don't-give-a-damn attitude of travel agencies. Too many disappointments. We have never had a problem dealing directly with resorts, hotels and lodges."

With all of these obstacles, it's nice to find a respondent like the toiletries executive who, on our question about problems, said simply, "We never think of it that way. The end is so great, we get by the problems."

But knowing how great the end is becomes still another problem the marketer must deal with. How do you evaluate the program after it's all over? Users apply a number

CONTINUED ON PAGE 87

New Zealand Incentive

IM124

Give me all the incentive I need to plan on New Zealand. Rush me your new, 20-page booklet containing complete information regarding incentive opportunities.

Name________ Company________

Title________ Address________

Colin Taylor/Incentive Travel Mgr., New Zealand Tourist Office, 10960 Wilshire Blvd., Ste. 1530, Los Angeles, CA 90024.

Circle No. 137 on Buyer Action Card

TRAVEL SURVEY

CONTINUED FROM PAGE 43

of different yardsticks and often use a combination of them to measure their results. The most common criterion, mentioned by 58 percent in this survey, is total units or dollars of sales. The percentage of people reaching quota is the touchstone favored by 40 percent, while 19 percent look at increased market share. Some 18 percent analyze profit based on incremental sales, and 10 percent gauge branch or district performance.

Those who measure incremental sales are, it would seem, closer to a bottom-line reading of their results. And, with respondents spending the lowest percentage of incremental sales on travel programs in several years, users ought to be pleased.

They are spending, on average, $146,000 this year for sales force motivation through travel, and $302,000 in the dealer arena. Averages, of course, tend to hide the facts. The multi-million-dollar users are included, along with those who ante up $5,000 or $10,000 per person for incentive travel, and they tend to distort an arithmetic average.

Looking at median expenditures, those most typical of a middle-of-the-road type of user, the figures drop considerably. Given the median number of travelers, 75 people, and the median per-person cost, $1,200, it appears that the characteristic incentive travel user will spend about $90,000 this year.

Assuming companies spend a median of 6 percent of incremental sales on incentive travel, this technique is delivering about $1.5-million in extra sales for the middle-range company—sales volume that otherwise would not have been produced. ■

MAKE A STATEMENT. SEE THE READER COMMENT CARD, PAGE 89.

TRAVEL PLANNING

CONTINUED FROM PAGE 48

trip will be perceived as you make it appear. . . so make it special. Be sure to have a good handle on the participants' demographics. Match the promotion to your audience. Monitor the program and at some point eliminate those who have no chance of winning from the mailings, to avoid adding insult to injury.

9. A memorable trip. Travel is one award you can offer that actually gets better year after year. It can be argued that a television set will eventually break. Money usually is spent on mundane things like car repairs. But travel is special, and companies can provide the trip of a lifetime. Make sure to provide a trip that the recipient simply could not duplicate on his or her own. Make it spectacular. Make it something people will never forget. Make people feel as if they're being treated like kings. You really have a chance to provide a lifetime experience and memory by doing your homework and being creative. The trip will be remembered long after the qualification period is forgotten. But don't forget to cover all the contingencies. Remember Murphy's Law.

Planning an incentive travel program is a lot like driving across America. It's a lot easier and a lot more rewarding if you know where you want to go and have a map to help you get there. ■

IM'S ANNUAL BUSINESS GIFT UPDATE WILL APPEAR IN SEPTEMBER FEATURING A GALLERY OF GIFT SELECTIONS.

RADIO ACTIVITY

CONTINUED FROM PAGE 75

In another program, WEZE offers a 2-percent merchandising deal to certain clients, mostly national, who "spend quite a bit of money." The station spends 2 percent of the advertiser's dollars on "hard goods for their salespeople or a promotional item that we put our name and their name on," explains Mr. Reich.

"We have a full-time merchandising director who works with the clients," Mr. Reich continues. "We try to get them more than just radio time. We want to solve their problems and help them in whatever needs they may have. In many situations, not only does it serve to solve a promotional need for us, but it also assists a client."

Variations. Another type of radio sales incentive is KSSN's "Action Auction." In this recent event, advertisers received "funny money" as a reward for their first quarter spending. At a big Friday night banquet, attendees used their "money" to bid on $25,000 worth of prizes, most of which were obtained by the station in trades.

Perhaps the ultimate in radio merchandising hoopla takes place annually in New York City. In a major hotel, some 30 metropolitan area stations, rep firms and networks run carnival-like booths in a giant "Radio Festival." At most of the booths, minimal skill—if any—is required for guests to walk off with various station premiums.

The guests, of course, are mostly advertisers and ad agency executives. Last September, the eighth annual Festival—sponsored by NYMRAD, the New York Market Radio Broadcasters Association—attracted a record 1,730 attendees.

How much such a festival helps any particular station's ad sales is open to question. But it certainly can't hurt to have big spenders toting your bags, drinking from your mugs and wearing your shirts. ■

C1200-4A

A BILL PUBLICATION

Incentive Marketing

INCORPORATING INCENTIVE TRAVEL

SEPTEMBER 1985

FACTS Survey

Corporate Gift-Giving

PLUS:

- TIE-IN PROMOTIONS
- HIGH-TECH WORKOUTS
- HONG KONG

Destination: New England

INCENTIVE MARKETING

**EMPLOYEE MOTIVATION:
Working Out Stress**

September 1985

New England and its largest city, Boston, long have been meccas for tourists but have been overlooked by incentive travel planners. IM looks at why more companies may be sending their top performers to this most historic of American regions. See page 96.

Viewpoint	8
Inside Promotions	114
Hotels	116
Destinations	118
Service Companies	119
Transportation	120
Associations	120
Manufacturers	121
Personnel	122
Calendar	123
Ad Index	124
IM Action Card	125
Reader Comment Card	125

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Leslie Jean-Bart*

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12 ***IN THE NEWS—***
Barclays traveler's checks take on American Express . . . Aloha Week a great time to visit Hawaii . . . Coke makes no special effort to appease bottlers . . . Few incentives mark P&G toothpaste debut . . . Bell sales trip stirs controversy . . . Is opportunity calling in AT&T promotion? . . . Baseball cries foul in Sprint sweeps.

26 ***SHOW NEWS—***
IM interviews World Congress buyers and reports on seminars . . . Show planner has high hopes for Chicago.

31 ***CORPORATE GIFT-GIVING—***
With gift-giving still on the rise, companies are putting a subtle "please" into the message their gifts convey.

50 ***GALLERY OF GIFTS—***
A display of gift ideas to suit a variety of tastes and interests.

86 ***TIE-IN PROMOTIONS—***
Companies increasingly are teaming up to get more bang for their marketing bucks. Experts talk about the pros and cons of these partnerships and provide some tips on how to make them work.

92 ***HIGH-TECH WORKOUTS—***
This month's employee motivation section looks at health and fitness programs established by firms in Silicon Valley.

96 ***NEW ENGLAND—***
Boston and the surrounding region provide a refreshing change for companies whose personnel or customers have never experienced the charms of New England.

103 ***HONG KONG—***
An experienced tourism industry and a tourist board known for its incentive expertise combine with this city's exotic flavor to make it the premier Far Eastern destination.

106 ***HOUSEWARES—***
This product focus looks at what is hot at retail, what redeems well in catalogues and how housewares can best be incorporated into trade and consumer promotions.

Bill publications and divisions: Incentive Marketing, Industrial Chemical News, Institutional Distribution, Jobber Retailer, Modern Tire Dealer, Plastics Technology, Restaurant Business, Restaurant & Hotel Design, Sales & Marketing Management, Successful Meetings, Foodservice Research Center, Market Statistics, Sales Builders, SM Data Bank.

FACTS SURVEY

Behind the spirit of saying "thanks" lies a practical desire to build a "please" into the message business gifts carry.

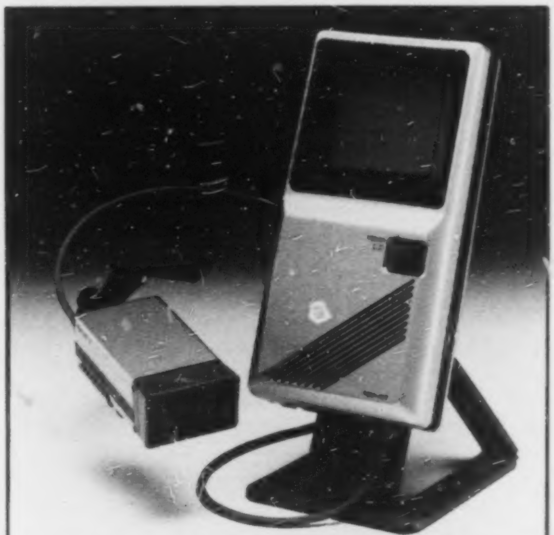
Corporate Gift-Giving

The perennial "thank-you" of business gifts continues to increase in favor as a marketer's good-will tool, but there are growing indications that an important "please" is being built into the message gifts carry.

Incentive Marketing surveys find a decrease in the tit-for-tat, "you owe me" approach yet suggest an increase in the concept that sales dollars spent on gifts should return something more than an after-the-fact expression of gratitude.

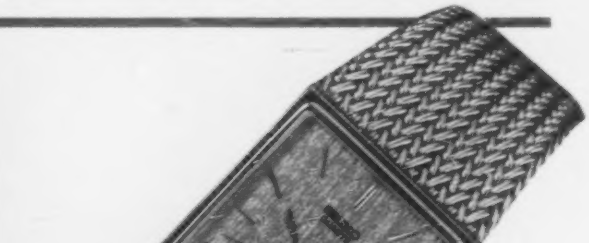
Whatever the spirit behind it, business gift-giving last year rose 8.5 percent to $1.12 billion, with recent survey results suggesting further increases for 1985.

The list of industry leaders in business gift-giving differs somewhat from the top 10 users of all incentive types, although seven of the leaders are common to both lists. The two automotive groups are the biggest givers, with the third-ranked incentive user, auto parts, accessories and tires, leading gift buyers with estimated spending last year of more than $98 million. Makers of automobiles and trucks, who rank fifth



WatchCam Security System
Sony Corporation of America

For more information, circle No. 6 on Reader Action Card.



Men's Quartz Dress Watch
Seiko Time Corporation

For more information, circle No. 4 on Reader Action Card.

Slate Plaques and Brass Coasters
Balfour

For more information, circle No. 5 on Reader Action Card.

Classic Executive Gift Set
Pentel of America Limited

For more information, circle No. 9 on Reader Action Card.

Early survey results show a 5.3 percent gain in gift-giving, a somewhat lower rate of growth than in previous years.

overall, are in second place with over $67 million in gift purchases. Toiletries and cosmetics come close behind, at $61 million—ranked third as gift-givers, although the second-largest incentive user.

The industry holding the same position—fourth—in both total incentive usage and business gift expenditure is the insurance category, with a 1984 gift outlay of more than $53 million. The rest of the industries rank as follows, with their overall incentive standing shown in parentheses:

5. Banks, savings and loan (14). . .$41 million;
6. Electric appliances (18). . .$41 million;
7. Electronics, radio, TV (6). . .$40 million;
8. Food products (1). . .$35 million;
9. Building materials (7). . .$33 million;
10. Publishers, broadcasters (11). . .$30 million.

In most types of incentive usage, the top 10 industries account for a majority of the spending—up to two-thirds of the total in the case of incentive travel. Gift use, however, is a bit more evenly distributed: These top ten industries last year spent only 45 percent of the total $1.1 billion.

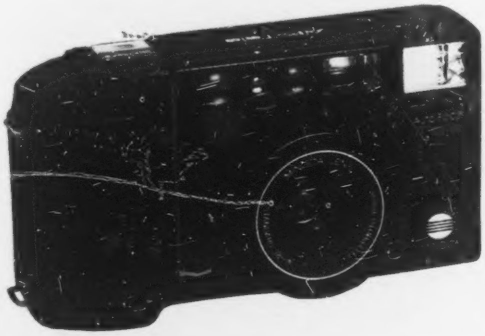
This year's gift expenditures, based on an early special survey of gift users, may increase a bit less than in recent years. The past three years' budgets have risen at respective rates of 9 percent, 8 percent and 8.5 percent. The users in the 1985 study show increases of 5.3 percent in their gift practice. This would still represent some expansion, given the reduced inflation rate.

The May-June survey generated 256 complete reports. Of these, 204 executives gave estimates of their gift spending for both 1984 and 1985.

About 61 percent of these users indicated they are increasing gift purchases this year, while only 7 percent are decreasing them; the remaining 32 percent showed unchanged expenditures. Despite the greater number of purchases, increases were generally small—hence the relatively low projected advance of 5.3 percent.

The average company in this survey indicated spending plans of $14,989 for business gifts this

Christmas leads other occasions as a time for gifts; company anniversaries, birthdays and other holidays rank much lower.



AF-Tele 35mm Camera
Minolta Corporation

For more information, circle No. 1 on Reader Action Card.

Holloware
Oneida Silversmiths

For more information, circle No. 7 on Reader Action Card.

year, although the median budget was only $5,000.

As usual, Christmas is the favorite occasion for gift-giving—but with a somewhat reduced edge of 68 percent, compared with 70 percent who played Santa Claus a year ago and 74 percent in 1983. Company anniversaries are a distant second choice, listed by 15 percent. Other gift occasions are birthdays, 8 percent; Thanksgiving and the New Year holiday, 5 percent each, and other occasions, 43 percent.

The choices total well over 100 percent because many users present gifts at more than one time of year.

There is also diversity in who gets gifts. Major customers lead as targets by 61 percent against 45 percent for employees, the second choice. Other recipients are all or most customers, 22 percent; prospects, 21 percent; stockholders, 3 percent, and others, 9 percent. Only in the case of prospects has there been any major change from previous survey findings: Giving to prospects increased to 21 percent from only 14 percent a year ago.

The "other" listings include some varied choices. Gift recipients include specially selected customers, boards of directors, manufacturers' reps, distributors, plant visitors and consultants. The timing of gifts ranges even more widely, including such occasions as sales calls, completion of a sale, special promotion periods, annual conventions, Easter, Fourth of July, trade shows and "when necessary or appropriate."

The necessary or appropriate time for a gift is, of course, when it will do some good in expressing appreciation—and maybe more. The business gift is the only part of the incentive field that, by definition, is not a true incentive—not offered in advance on consideration of any performance. Its basic nature must be "no strings attached." Yet, there is an increasing sense among many users that gifts have more purpose. The IM surveys reveal this in the executives' comments: There has been a decline in the numbers who say they give "because it's expected" or "because it makes me feel good." Both are valid reasons to some business people—but others show more purpose in their giving.

There is certainly nothing wrong with saying "thank you," and that is still the favorite reason for business gifts. Michael Waskover, president of Automatic Mail Service, Long Island City, N.Y., gives about 20 relatively high-cost gifts to major customers at Christmas, and said his sole purpose is "just good will to say thank you." Similarly, Van A. Olkon of Animated Display Creators, Miami, gives 25 moderately priced Christmas gifts to customers and employees "for appreciation—not interested in monetary results." Modest gifts on various occasions express "appreciation for support during the course of the year" to about 100 customers of United Appliance Distributors Inc., New Britain, Conn. There is "never enough thanks in this business," said Marianne Colacray. "So, this is a good way to thank people."

Another term some use for the

same basic idea is "public relations." That's what Ronald R. Massung called his 60 or 80 low-cost Christmas gifts to most customers of Massung Cabinet Company in White Oak, Penn.—"P.R., to be remembered!" And Daun Ford of KOMU-TV, Columbia, Mo., added emphasis: The station's 100-plus small gifts to customers and prospects are "good P.R., good P.R."

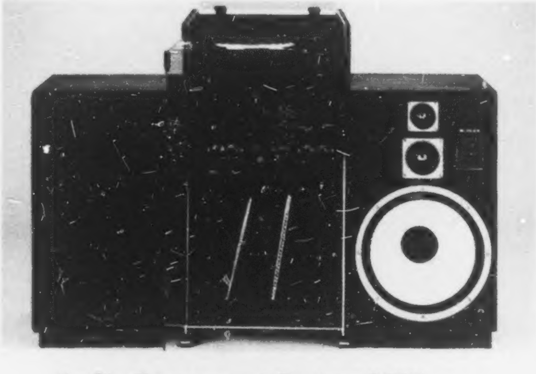
For many, it is only a short step beyond public relations to advertising, and the business gift shows its kinship with the advertising specialty. "Keep the name in front of the customer" is the way many express it—including Robert E. Moynihan of Playmates, a New York toy wholesaler, who gives about 50 Christmas gifts to major customers each year. They cost $25 or more and are designed to perform a reminder service.

The narrow line between gifts and ad specialties is even more evident in the practice of Geino F. Suriel, president of Vitaminas Naturales Corporation, Brooklyn, N.Y., who gives 17,000 low-cost items to most customers: "Most of my business gifts are used as promotional items bearing my company's name and logo; it increases sales." Higher-priced desk items are the choice of Bill Wooten, vice president of Commercial Distribution Center Inc., Independence, Mo. The gift "keeps our company before the individuals that have some say in where product is warehoused."

Friendship is a powerful force, and that is where some put the emphasis in their gift practices. G. Camardo, president of Alger Machine Company, Rochester, N.Y., a wholesaler, presents about 50 gifts at Christmas and New Year's, favoring personal and food items. He noted that it "makes friends out of strangers—helps to show it's a two-way street, and we have to work together to serve the customer."

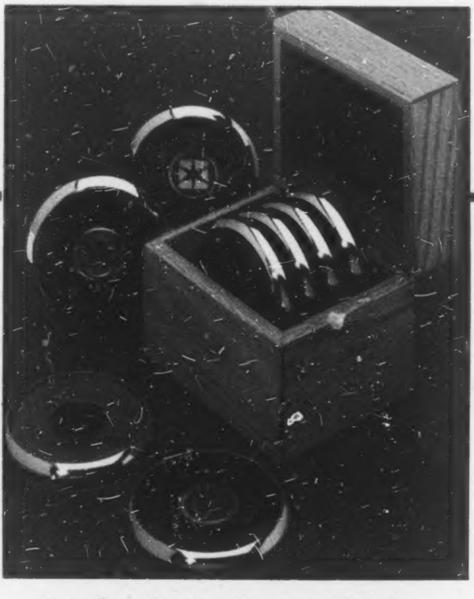
"We send what we believe to be a thoughtful gift at a modest cost," reported Malvin Marks, president of Irving Marks Nite-Wear, New York. "We hope it shows a friendly gesture without trying to obligate a recipient to favor us with business." Avoiding obligation also goes with friendship for Martin Walshin Inc., heating distributor in Hastings-on-Hudson, N.Y. Said Iris Walshin: "They are a show of appreciation for past business—we maintain a friendship with our customers. The benefits are to remain friends. I do not believe for one minute a gift will buy me anything. Service and good relations and competitive pricing sell product, never a gift."

A little boost to sales effort is not to be rejected, however, in the eyes of some users. Roel A. Rodri-



Audio Component System 8531
Fisher Corporation

For more information, circle No. 11 on Reader Action Card.



Leather Center Coaster Weights
BTS Solid Brass Specialties

For more information, circle No. 10 on Reader Action Card.

Survey respondents view gift-giving as an important form of public relations.

Century Calendar Clock
Bulova Watch Company

For more information, circle No. 3 on Reader Action Card.

guez, area manager of Vita Craft, Edinburg, Tex., uses several hundred gifts up to $25 in cost for customers, prospects and employees, and hopes they will help to "increase sales presentations and volume." Gifts of similar value, given to customers by salespeople, are used by W. F. O'Brien Jr., Drew Ameroid division, Boonton, N.J. The main reason, he said, is "to keep company image in the eyes of customers at home offices—general inducement to buy and properly use our products at end-use levels."

Gifts are also communicators for Albert Stridsberg, advertising consultant, Poughkeepsie, N.Y. In addition to expressing general good will, he said, "basically, my gifts are intended to communicate or illustrate an idea or concept. The recipient keeps the gift, but he communicates the idea to other people by word of mouth." The gifts are of modest cost, such items as books and gourmet foods, which he presents on visits to customers and prospects.

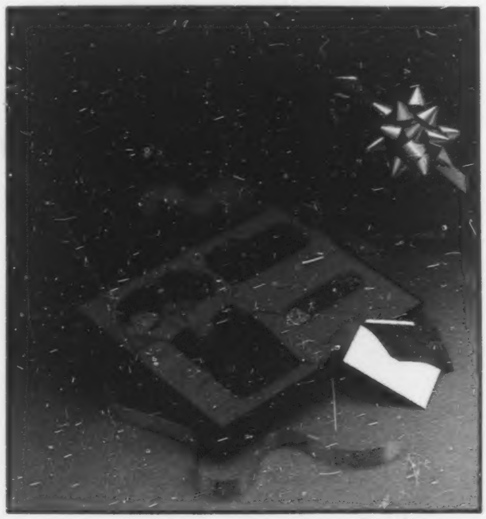
Despite a growing tendency to attach a clearer rationale to gifts by some executives, the old favorite of the thank-you is still the overriding attitude, and many ask no more purpose than that. And there continue to be the few with a negative motivation behind their giving. P. D. Aaron, president of Connector Concepts, Port Washington, N.Y., a wholesaler, gave one-word answers to these questions: Why do you give business gifts? "Fear." And, what benefits do you believe you can derive? "None."

Users responding to this survey spend a bit more for each gift they give, don't purchase quite so many of them and buy a little earlier for Christmas than IM readers surveyed last year.

While the average gift price among 452 mentioned by respondents was $39.30, quite a bit lower than the 1984 survey average of almost $50, the median of their expenditures is $18, compared with $16 for last year's group. And this is reflected in the most-common price mentioned; a year ago, it was $10, with $25 somewhat behind in mentions. In this survey, $25 is distinctly the most-frequent unit price, with $10 running behind. And the incidence of prices over $25—thus incurring some Federal tax liability for a portion of the gift expenditure—is an all-time high of 32 percent. In 1984, 26 percent of prices mentioned exceeded the $25 Internal Revenue Service ceiling.

Last year the average gift list was a very high 732, inflated by some very large users, but the median was 120 recipients. This year's average number is down to 340, and the median is also somewhat lower at 100.

With Christmas the leading time for gifts, the heaviest buying time naturally falls a few months earlier. For several years, October has been the strongest month for



Bushnell Ambassador Set
Bausch & Lomb

For more information, circle No. 12 on Reader Action Card.

> ***Giving gifts "makes friends out of strangers—helps to show it's a two-way street, and we have to work together to serve the customer."***

Autofocus Movie Camera
RCA Sales Corporation

For more information, circle No. 8 on Reader Action Card.

Nettleton Hand-Sewn Penny Mocs
McDonough Incentives

For more information, circle No. 2 on Reader Action Card.

gift purchases, with September second. But the executives in this survey group have turned that around, with 32 percent saying they buy in September compared with 22 percent for October. November is third at a 15 percent mention; August, 14 percent, and December, only 9 percent. Away from the Christmas season, the greatest activity is in March, when 13 percent order gifts. In June and July, 10 percent buy each month, and the rest of the year is fairly quiet, ranging from 6 percent to 9 percent each month.

These executives, reporting in May and June, said in 32 percent of cases that they had spent more for each gift in their latest purchases, while 8 percent spent less. For this year, they expect to spend more in 30 percent of cases, while only 5 percent think they can cut back. In each case, though, the great majority considers it possible to hold the line.

In fact, 27 percent of these companies have reduced gift spending in some manner, either by cutting the number of gifts purchased or by spending less for each one. About 67 percent said they reduced the number of gifts, and 5 percent, the cost per gift; clearly, with the excess over 100 percent, some did both.

This year, 34 percent plan to restore sums cut from the budget in 1984.

We asked executives several questions about their preferences in the selection of gifts, sources, manner of presentation and the like. Here are their responses, some of which add up to more than 100 percent because of multiple answers:

Preferred type of gift item	
Personal merchandise	**52%**
Desk items	**51%**
Home or decorative items	**19%**
Food	**19%**
Liquor	**14%**
Choice of several items	**8%**
Donor's own product	**4%**

Sources of business gifts	
Direct from manufacturer	**46%**
Premium representative	**34%**
Ad specialty counselor	**32%**
Wholesaler	**18%**
Jobber/incentive house/ stamp company	**17%**
Retail store	**14%**
Mail-order firm	**8%**

Are gifts personalized?	
Yes	22%
No	74%

How are gifts delivered?	
Salespeople	**44%**
Executive	**36%**
Parcel delivery service	**29%**
Mail	**25%**
Messenger	**7%**

Where are gifts presented?

Recipient's place of business	**63%**
Recipient's home	**33%**
Donor's place of business	**29%**

These fairly large givers of gifts are, as usual in the survey groups, very small receivers. They reported they personally received an average of seven—median only four—gifts in the past year. A few even said their own companies have policies prohibiting the acceptance of gifts.

The survey questionnaire asked for comments on gift-giving restrictions. Only 60 percent said they encounter restrictions at companies where they might present gifts, down from 74 percent who had faced the problem a year ago. However, the average percentage of companies in which respondents found obstacles to gift-giving rose a bit, 30 percent compared with 27 percent in last year's survey. About 44 percent said that restrictions increased in the past *two* years—also higher than last year's report, 32 percent.

That type of company policy obviously bears on an ethical judgment about the propriety of business gifts, and we asked these executives two questions that follow naturally: "Do you believe your gifts to business friends have ever improperly influenced a customer's buying decisions?" The answer was "yes" from 5 percent, with 88 percent saying "no" and the rest not answering. And we asked, "Do you believe gifts you received have ever been intended to influence your decisions improperly?" Here 12 percent of them answered yes; 82 percent said "no."

The concept that a $25 gift or a $50 gift can sway the business judgment of any executive is one that is as difficult to understand as it is to demonstrate. And even as gift-givers may perceive a more concrete function of enhancing relationships, they also know that the basic "thank you" is still the heart of the practice. ■

TOP CHOICES. . .

Listed by 3 percent or more

Clock	15%
Pen	11%
Diary	8%
Pen and pencil set	8%
Sporting goods	7%
Liquor	7%
Clothing	6%
Desk accessories	6%
Attaché case	5%
Calendar	5%
Food	5%
Watch	5%
Calculator	4%
Cheese	4%
Gift certificate	4%
Jewelry	4%
Fruit	3%
Hat	3%
Mugs	3%
Radio	3%
Wine	3%
Key case	3%
TV	3%

POPULAR CHOICES. . .

Listed by 2 percent or more

Book
Candy
Crystal
Dinnerware
Electric appliance
Electronic A/V equipment
Flashlight
Flowers
Ham
Handbag
Jams/jellies
Knife set
Plaque
Ruler
Telephone
Tools
Trip

1 percent choices
Barbecue
Beach towel
Camera
Chair
Coaster set
Computer
Glassware
Ice bucket
Luggage
Magazine
Nuts
Office equipment
Paperweight
Perfume
Pewter
Placemats
Plant
Plate
Road atlas
Sports tickets
Steaks
Tire gauge
Trays
Turkey
Umbrella

MARINATE
TRACK & FIELD • MARATHON

Glazed Porcelain Music Boxes
Roman Inc.

For more information, circle No. 13 on Reader Action Card.

NOTE

ONLY THE FOLLOWING PAGES OF THIS

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Cov. 1, p. 3, 33, 38, 40,

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INSIDE: Fair Quotas · Licensed Promos · Food Gifts

A BILL PUBLICATION

Incentive Marketing

INCORPORATING INCENTIVE TRAV

OCTOBER 1985

SALES INCENTIVES

Antidotes for Inaction

INCENTIVE M ETING

PRODUCT FOCUS:
Food Gifts

October 1985

81st Year, Vol. 159
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*Cover Photo:
Comstock*

A sunset over the desert is just one of Arizona's attractions. See page 78.

NEWS

14 ***INCENTIVES IN THE NEWS—***
- Gas glut fuels resurgence of premium programs.
- Dragon Boat Festival a great Hong Kong tie-in.
- Floral networks combine incentives for consumers and trade.
- Survey finds that specialty advertising industry could have a better image.
- Calendars make a great gift for college students.
- Trends and comments: Shopping carts carry promotion messages . . . Curtains for home-buyers . . . Consumers can save box tops for travel.

FEATURES

33 ***ANTIDOTES FOR INACTION—*** Sales incentive FACTS survey finds out how companies instill get-up-and-go in their sales forces.

46 ***RULES OF THE GAME—*** IM explores how to structure fair rules for sales incentive campaigns.

52 ***BUILDING MATERIALS—*** This report looks at marketing in this multi-billion-dollar industry.

58 ***TV BUYS—*** Ethical problems have kept incentives out of television advertising sales.

62 ***LICENSED PROMOTIONS—*** Here are the basics of licensing products.

66 ***SILICON SMORGASBORD—*** This feature looks at employee motivation in Silicon Valley.

70 ***FOOD GIFTS—*** IM provides pointers on using this popular gift category.

74 ***CALLING STRIKES—*** There are ways to lessen the impact of airline strikes.

78 ***ARIZONA—*** This destination offers a wide variety of options.

DEPARTMENTS

10 **Viewpoint**—Sales incentives are no panacea.
12 **Reader Forum**—IM editors answer reader questions in this new regular department.
24 **Marketplace**
90 **Inside Promotions**—A Pepsico computer dispenses prizes in convenience store test market . . . Mattel offers big cash prizes to lure young talent.
94 **Destinations**—Daytona Beach hosts Florida travel showcase.
94 **Manufacturers**—New brochures available from award supplier . . . Office and hobby supplier acquires marketing outfit.
96 **Hotels**—Ritz-Carlton beefs up sales and marketing efforts in the incentive travel field.
97 **Rep Firms**—New rep firm opens . . . RCA recognizes top producers.
97 **Personnel**
98 **Calendar**
100 **Advertisers' Index**
101 **Reader Service and Comment Cards**

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SALES INCENTIVES

Antidotes for Inaction

Survey shows how companies instill more get-up-and-go in their sales forces.

Growth in corporate outlays for sales incentive programs appears to have slowed in 1985 from the torrid 20-percent increase reported by sales incentive users last year. At the same time, companies this year are reporting slightly lower sales results and a small decline in sales force participation. These are the findings of **Incentive Marketing**'s latest survey of sales motivation practices.

Last year, **IM** surveys estimated total sales incentive usage at $2.98 billion—a 19.9-percent gain over 1983 results. Merchandise volume rose 19.5 percent to $2.26 billion, while travel gained more, up 21.3 percent to $723 million.

While 1984's total incentive activity was quite vigorous—up 13.3 percent—the boom in sales incentives brought this segment of the field to a record share of the pie—25.2 percent of all incentive spending. The share had held in the 23 percent range for many years, moving up to 23.8 percent in 1983.

Contributing the most to last year's increased sales incentive efforts were the four top user industries, all of which increased their spending more than the overall average. The four are, in order of

SALES INCENTIVES

Incentive campaigns have produced sales gains of 18 percent so far this year, a dip from '84 results.

usage: insurance; auto parts, tires and accessories; toiletries and cosmetics, and automobiles and trucks. The number-six industry, however, led the field: food products firms increased sales incentive spending by 25.1 percent.

Marketers' sales incentives were highly effective in 1984. A special survey found their average sales increase achieved during the year was 20.1 percent, up from 18.8 percent the year before and the highest since 1980. The surge of the economy made selling relatively easier.

That kind of advantage tends to be short-lived, and this year's study shows that incentive program results have slipped back to an average of 18 percent among the surveyed users, fairly low in relation to most recent years.

The findings are based on information supplied by 231 executives who returned an IM questionnaire in time to be recorded. They reported in July, so their actual sales results are based mainly on first-half programs and on whatever they felt could be projected beyond mid-year. Last year's comparable survey was taken at about the same time.

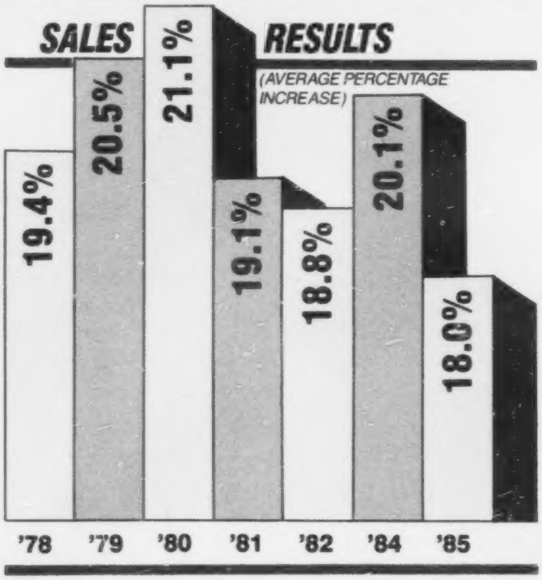
The degree of participation by a sales force—how many eligibles qualify—has a direct bearing on overall results in a well-structured program. The point is made clear in this year's survey, where participation has dropped below the 1984 level along with the sales gains. Last year, the average rate of participation was 44 percent of those eligible—50 percent in merchandise-award programs, 36 percent in travel campaigns. This year's overall average is only 40 percent—with 47 percent earning merchandise and 29 percent taking trips. This is the lowest figure in at least eight years, except for 1982 when only 39 percent qualified.

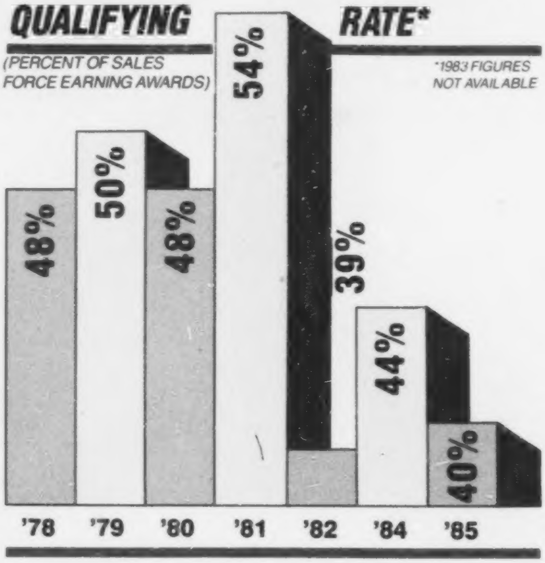
Many users deliberately structure their sales campaigns to achieve a small number of winners. This is particularly common with those who talk of "sales contests." More experienced users are less likely to talk of contests and more likely to base awards on each salesperson's effort to beat his or her own record.

An old saw has it that the top 20 percent of the sales force is motivated from within and will always perform—they'll go for the goal just because it is there; the bottom 20 percent are mostly immovable, and the middle 60 percent are the motivator's challenge. Whatever the actual numbers, many sales executives attest to the principle. That leaves us, however, with the fact that a program in which only 40 percent earn awards has actually touched only one-third of the motivatable middle, assuming that half the winners are from the top tier.

An average conceals wide variations, and there are many users who do report higher participation. About 39 percent of the merchandise users say that 60 percent or more of salespeople qualify. On the travel side, 16 percent of executives have at least three out of five winning. And one user out of every seven reports from 80 percent to 100 percent winners.

The other side of the issue, however, is the rather large number of respondents who say that very few of their salespeople earn awards. A winning percentage of

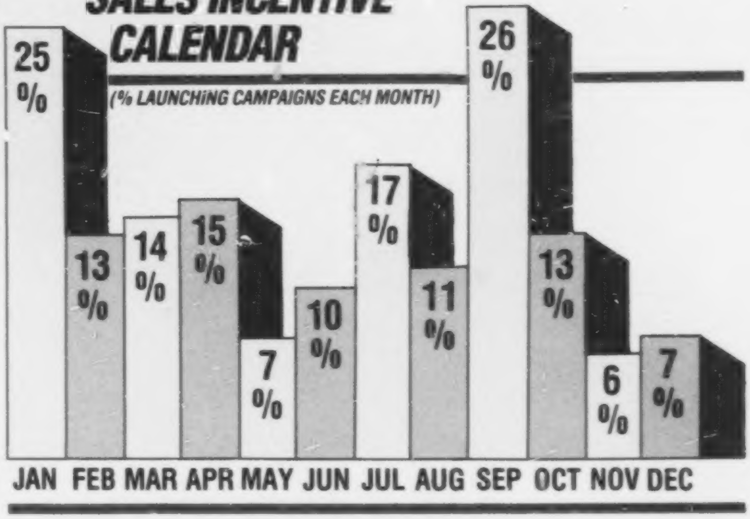




fewer than 25 percent was reported by 31 percent of the users of merchandise incentives. Among travel users, the pickings are even slimmer, with 61 percent having fewer than one salesperson in four qualifying for trips.

There is substantial good news to counter the slight decline in sales incentive productivity. By another important measure—cost as a percentage of incremental sales—this year's activity sets a new record for cost effectiveness. The average cost is reported to be only 8 percent of sales added during a promotion, and the median declined for the first time to only 5 percent.

Last year, the average campaign cost was 9 percent of increased sales, a low compared with results in the past several years; the median was just 7 percent, the same as it had been since 1980.


SALES INCENTIVE CALENDAR

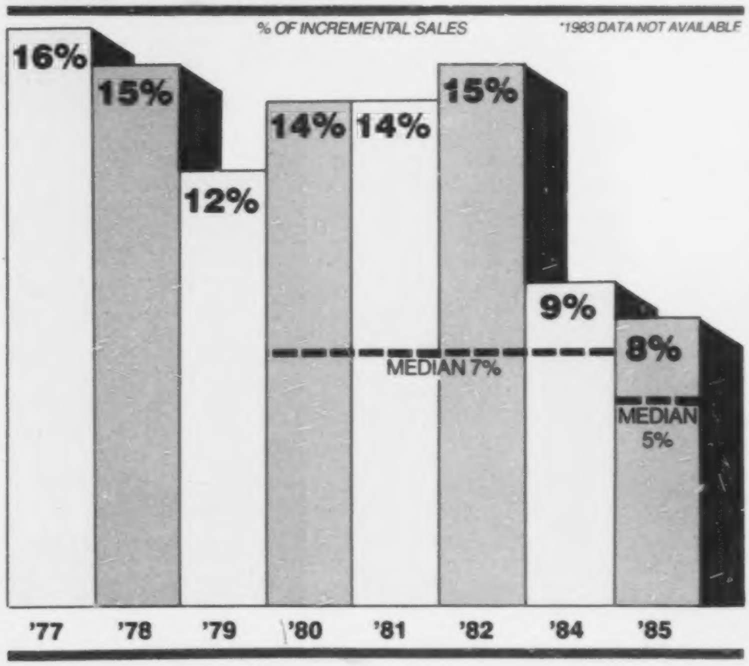
(% LAUNCHING CAMPAIGNS EACH MONTH)

Although experience differs by industry and by company, increasing sales productivity at such a low cost must make a significant contribution to profit. A Dartnell survey two years ago reported that the average cost of a sales call ranged from $50 to $200, depending on the industry—with an average of $152. The survey also showed that it takes an average of five calls to close a sale. At the average cost, that's $760 before the order is written. An executive with a cost in that range has to be happy to invest 8 percent or more of incremental sales gained by making those calls more effective through motivation.

The question of direct compensation applies mainly, of course, to company-employed salespeople. That is, as in the past, by far the largest target group among the executives in the survey—with 70 percent aiming their campaigns at their own captive personnel, up three points from a year ago. About 26 percent conduct programs for independent reps or agents; 22 percent for wholesaler or jobber personnel; 17 percent for retailer employees, and only 2 percent for direct-selling people. Many aim their incentives at more than one type of salesperson, which accounts for the total in excess of 100 percent.

Incentives are used for many reasons. A marketer's first consideration generally is what portions of a line will be promoted. The full line of products or services is the first choice among those in the survey—45 percent. This is down

THE AVERAGE COST


% OF INCREMENTAL SALES

*1983 DATA NOT AVAILABLE

just a bit from 50 percent last year. Second choice is "selected items," favored by 43 percent. Only 12 percent put the incentive impetus behind a single product.

Companies are implementing sales motivation campaigns with about the same frequency as last year, with a small increase in combined merchandise and travel promotions. Merchandise users average 3.8 campaigns a year, but the median is just two. On the travel side, the average is at two, but the median number is only one a year. Those who combine both merchandise and travel in a single promotion now say they do it an average of 3.8 times, compared with 2.6 times among those reporting a year ago; the median of such programs is two.

Selling is a year-round job, and marketers launch their incentive campaigns in every month of the year, but there are some favorite times. September, chosen by 26 percent, and January, 25 percent, are the most active months for beginning incentive promotions. The January figure is well below the 35 percent who indicated that month as a starting time in the survey a year ago—which may reflect a reduction in the number of year-long campaigns. (About 10 percent of the present respondents run incentive programs lasting 52 weeks or longer with merchandise awards, while 34 percent of travel users favor a full year's time for qualification.)

> ***Companies are spending less on sales motivation in 1985 but are seeing greater cost effectiveness.***

After the front-running September and January, the next months in favor are July (17 percent), April (15 percent) and March (14 percent). February and October are chosen by 13 percent each, and the remaining five months were named by 6 percent to 11 percent of the executives.

The key factor that often determines when an incentive promotion breaks is, of course, the campaign's objective. The underlying goal of most is naturally to boost sales, and increasing overall volume is the clear leader among objectives cited by the surveyed users —73 percent in this study. But most experienced users consider it important to look at more specific objectives to help focus the sales effort effectively as well as to achieve particular marketing ends.

Introducing new products is a specific objective, and it is the reason for an incentive campaign with 47 percent of respondents. Improving morale and good will is a strong third choice, at 35 percent. And 31 percent of firms surveyed use the incentive to manipulate the product mix, to move a full line or slow items.

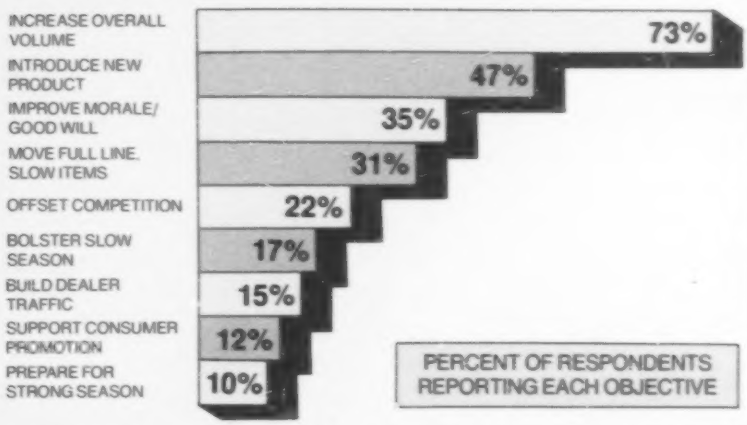
Other objectives include offsetting competition, 22 percent; bolstering a slow season, 17 percent; building dealer traffic, 15 percent; supporting a consumer promotion, 12 percent, and preparing for a strong season, 10 percent.

Defining objectives clearly in advance enables the executive to evaluate results after the promotion ends. Once objectives are determined, they have to be translated into performance goals for the sales force. The individual quota is the most common device, pitting each salesperson against his own past record and/or a realistic share of the total sales-forecast budget.

Users in this survey say that, in 50 percent of cases, they set quotas on the basis of the sales forecast. But almost as many—46 percent—tie quotas to year-earlier performance. And 22 percent use the immediate previous sales period (month, quarter or season) as the criterion of quota performance. The answers exceed 100 percent by quite a bit, indicating that some executives use more than one method.

Salespeople sometimes earn award credits when they achieve sales somewhat below quota. Among those companies granting awards for below-quota performance, awards begin at 84 percent of quota. On average, 99 per-

SALES INCENTIVE OBJECTIVES



cent of quota earns the full award. However, there is a range of variations, and the median responses are 100 percent for the minimum and maximum awards.

The degree of quota performance is, of course, a key to evaluation of the program after its completion—in addition to the basic arithmetic of increased dollar volume. But there are many ways to frame an evaluation, and survey respondents gave IM their choices among five options. Top choice is the simplest—total units or dollars sold, which is the favorite touchstone of 60 percent. A fairly strong second, at 47 percent, is the percentage of the sales force achieving goal or quota. Other criteria are: increased market share, 21 percent; profit on incremental sales, 18 percent, and branch or district performance, 12 percent. The total of well over 100 percent shows that many users apply more than one type of measurement to evaluate their results.

Along with campaign objectives and writing the performance rules, a major related decision is the duration of an incentive promotion. This year's survey respondents, on the average, are conducting slightly longer merchandise promotions and just slightly shorter travel campaigns than their counterparts in past years.

> ***Companies measure success by total units or dollars and by the percentage of people reaching quota.***

The average length of the selling and qualification period in merchandise programs this year is 15 weeks, compared with 13 weeks in last year's survey. On the other hand, when the award is travel, average duration is 29 weeks, as against 30 weeks among the 1984 respondents.

Those who use sprint events to spice up a long-running campaign now run them for an average of five weeks, compared with four weeks a year ago.

Another time shift appears in planning promotions. Those executives who use mostly merchandise awards take 15 weeks to get ready, two weeks longer than reported a year ago. Note that the advance planning time equals the actual promotion term. Travel users spend a little less time planning than on the promotion—an average of 26 weeks, down from 32 weeks in the earlier study.

The planning process usually focuses largely on promotional moves to excite the sales force and keep them involved through the campaign. Promotion is built into the incentive budget, and users reporting in this survey allot an average of 15 percent for it. That is two points more than the drumbeating allowances of 1984 respondents. But in both years, the median was substantially lower—only 7 percent spent for promotion by the typical mid-range user.

Deciding on incentive awards is at once a very vital and rather trivial problem. Vital because there must be awards with strong appeal; trivial, in a sense, because a good incentive plan can be made to work with any of dozens of award choices.

The awards and sources are, nevertheless, essential elements of a successful program. Here is how this year's survey respondents deal with the questions:

Types of Award

43% - *Single premium or group of related items*
38% - *Merchandise selection from incentive firm*
34% - *Individual travel awards*
26% - *Group travel award*
17% - *Own merchandise catalogue or selection*

Merchandise Suppliers

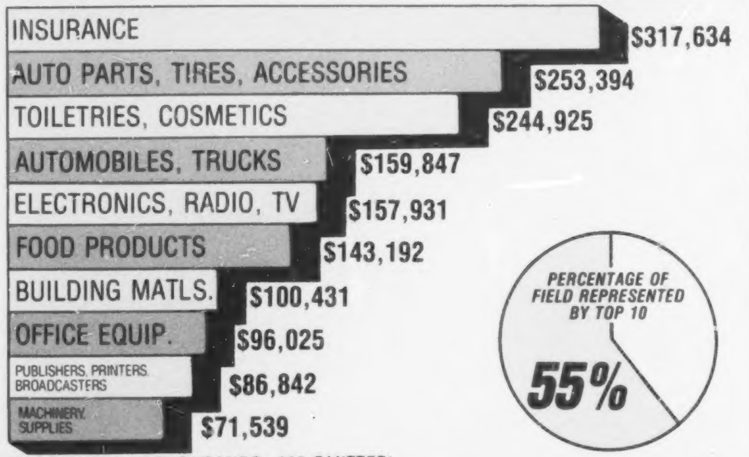
34% - *Direct from manufacturer*
26% - *Wholesaler or premium jobber*
22% - *Incentive agency*
18% - *Manufacturer's rep*

Travel Suppliers

44% - *Make own arrangements*
23% - *Travel wholesaler*
20% - *Incentive agency*
13% - *Travel carrier or hotel*

CONTINUED ON PAGE 99

TOP SALES INCENTIVE USERS (1984)



(ALL FIGURES IN THOUSANDS—000 OMITTED)

SALES INCENTIVES

CONTINUED FROM PAGE 44

Perhaps a more significant question than either the type of award or its source is the unit cost, which must be a direct function of the budget. In this year's study, users reported an average per unit for merchandise at $315, much higher than the $232 recorded a year ago. However, it reflects a larger-than-usual number of big tickets, and the median unit cost both years stands at just $100.

In travel, however, the median expense as well as the average has increased in the past year. Users now report an average cost per winner (including spouses, in most cases) of $1,826, with the median at $1,500. Last year the respective numbers were $1,664 and $1,200. On a per-person basis, the unit cost actually declined to $1,163, from $1,175, but the median has increased to $1,000, from $900 in 1984.

Planning and budgeting with care—and knowledge—give most marketers a very high probability of success in their incentive programs. But there are always factors that can spoil the outcome of even the best plan. In this survey, we asked **IM** readers: "If you have had a sales incentive program you considered a failure, please comment on what you believe were the reasons it failed."

"The only programs that fail are those that are too conservative," suggested R. B. Grove, vice president of R G Industries, a New Jersey office-equipment firm. "The bigger the award, the more successful the program—*large* incentives, Big Bucks, is the answer!" Grove conducts 13-week promotions for company salespeople, reps and wholesaler personnel, with $2,000-value merchandise awards and travel incentives costing about $3,000.

Inadequacies of planning or promotion are often cited as campaign weaknesses. "Poor planning" was the simple summation of Charles James, sales supervisor of Appleton Papers Inc., Elmsford, N.Y. And D. P. Sheardown, sales manager, marketing, at Vespa of America Corporation, South San Francisco, thinks money is the root of evil results. The motorbike maker conducts incentive programs aimed at retailer salespeople and reps, with a rather low percentage participation, but "lack of promotion budget to properly plan, implement and promote" can weaken results, Sheardown said.

Economic and market conditions can often be the main culprit when things don't go right, as Edward E. Lowery, division manager at Amsco Supply, a heating and air conditioning distributor in Ponca City, Okla., noted: "Our company's last travel promotion departed in January of 1984, with participation off approximately 50 percent. This market has been very depressed for a couple of years now. This is why the participation in our last promotion was off so. We have had a few product or merchandise promotions through the manufacturers. We do feel like the market is growing stronger again and are currently considering a travel promotion."

Why sales incentive plans fail was the subject of a question in an **IM** survey in 1982, and, at that time, the biggest success threat, reported by 39 percent, was excessively high quotas. About 36 percent blamed insufficient promotion for failures, and 34 percent named a weak national economy as the problem. Insufficient planning was the cause in the minds of 33 percent, and 30 percent cited "wrong timing."

Failure was on the minds of many in 1982, with incentives fighting heavy economic odds against them. But few marketers have been inclined to think failure either last year or this year. And, despite the considerable economic slowdown, their optimism is pretty clear. ■

ARIZONA

CONTINUED FROM PAGE 88

to come up with good, different ideas such as desert jeep rides or hot-air balloons."

The Pointe's Brooks added that the plethora of resorts in Arizona helps keep the destination fresh. "We really try to outdo each other with theme parties," he said. "Because everyone is trying to do something new and different, it really is an exciting way to keep incentive groups coming back."

The rest of Arizona is more geared to the individual tourist than an incentive group. Members of an incentive group who might want to stay on a few extra days might find northern Arizona—especially the Grand Canyon area—a perfect place to backpack and camp.

"We call ourselves the City of Seven Wonders," said Martha Keene, a spokesperson for the Flagstaff Chamber of Commerce. "We're a small city, but we get a lot of tourists, mainly because we are on the main road to the Grand Canyon."

Keene noted that Flagstaff has only a handful of hotels, with the 240-room Little America Motel offering the most rooms. Most visitors usually just spend the night on the way north or, in the winter months, go skiing at one of the nearby resorts. (Mt. Lemmon, 45 minutes northeast of Tucson, also offers skiing.)

"Really, the Grand Canyon and Flagstaff are not usually part of incentive trips," said Steve Tripp, a spokesperson for the Arizona Office of Tourism. "They could be offered as side trips. Especially the Grand Canyon—it is really breathtaking and is our number-one tourist attraction." ■

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